

CITY OF FALLS CHURCH, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

Prepared by:
City of Falls Church, Virginia
Finance Department

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INTRODUCTORY SECTION

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CITY OF FALLS CHURCH, VIRGINIA

CITY COUNCIL

David Tarter, Mayor
Marybeth Connelly, Vice Mayor

Dan Sze
Ross Litkenhous
David F. Snyder

Phil Duncan
Letty Hardi

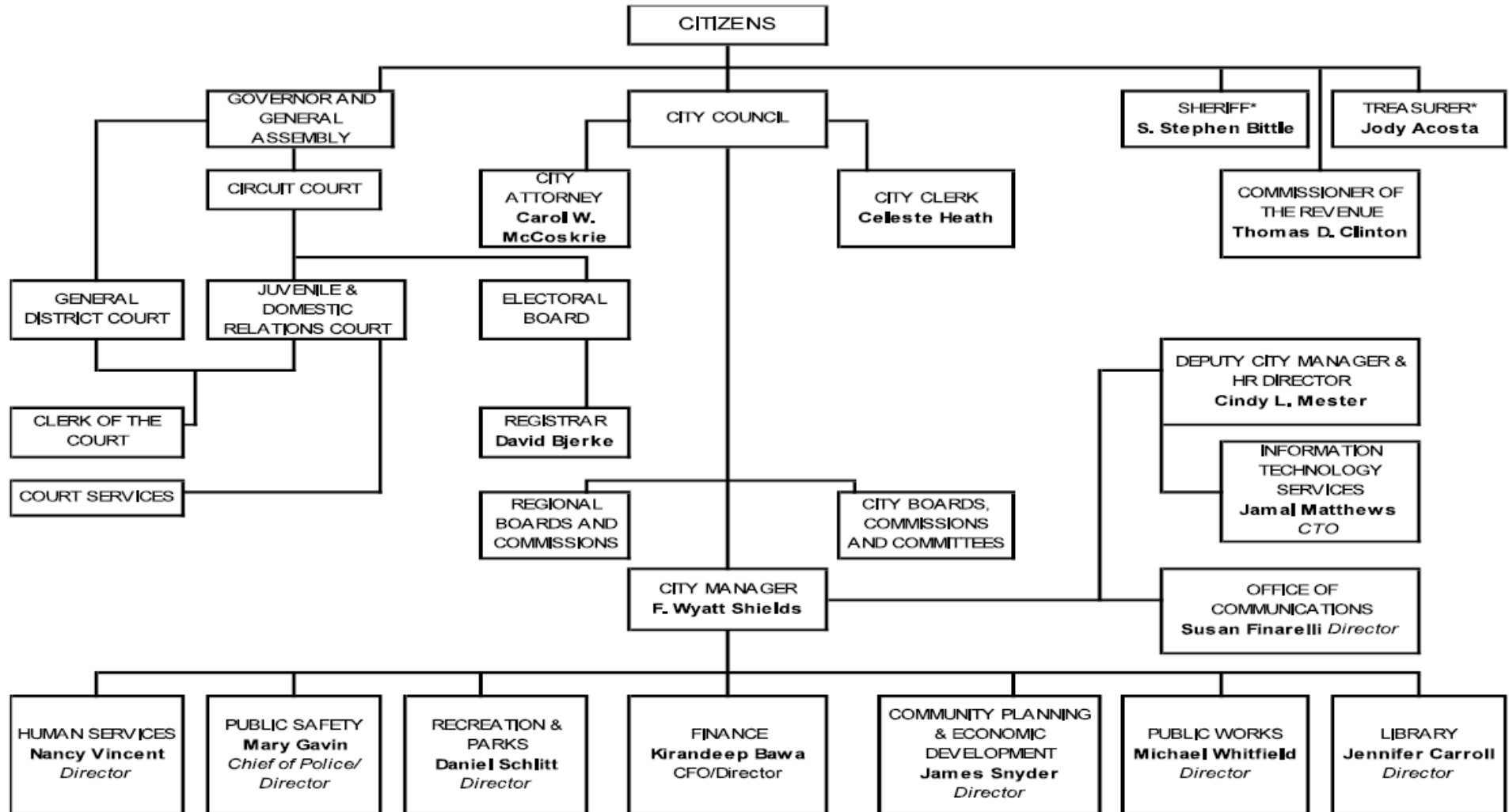
OFFICIALS

F. Wyatt Shields, City Manager
Cindy L. Mester, Assistant City Manager
Kirandeep Bawa, Chief Financial Officer
Carol W. McCoskrie, City Attorney
Celeste Heath, City Clerk
Jody Acosta, City Treasurer
Thomas D. Clinton, Commissioner of Revenue
S. Stephen Bittle, Sheriff
Dr. Peter Noonan, Superintendent of Schools

CITY OF FALLS CHURCH, VIRGINIA

ORGANIZATIONAL CHART

As of June 30, 2019





CITY OF FALLS CHURCH

November 27, 2019

City Council
City of Falls Church
Mayor and Members of the Council

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Falls Church, Virginia (the City) for the fiscal year ended June 30, 2019, in accordance with the *Code of Virginia*. The financial statements included in this report conform to accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2019, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended. All necessary disclosures have been included to enable the reader to gain the maximum understanding of the City's financial affairs.

The letter of transmittal is traditionally addressed to the governing body. We believe that the CAFR should be management's report to constituents, oversight bodies, resource providers, investors and creditors. This letter is addressed to you and by wide circulation it is also directed to the citizens of the City of Falls Church and all other interested readers. In addition to complying with legal requirements, this letter, management's discussion and analysis (MD&A), the financial statements, supplemental data, and the statistical tables have been prepared to provide full financial disclosure.

The report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in the report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). As management, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Brown, Edwards and Company, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements for the fiscal year ended June 30, 2019 are free of material misstatement. The independent auditor's report is presented as the first component of the financial section of this report.

Our CAFR is divided into four sections: introductory, financial, statistical, and compliance. The introductory section includes this letter of transmittal, a list of the City's principal elected and appointed officials, and the organizational chart.

The financial section includes the Independent Auditors' Report, MD&A, Basic Financial Statements, including the notes, and Required Supplementary Information. In addition, the financial section contains other supplemental data, consisting of combining, individual fund, and component unit financial statements and schedules. The statistical section contains selected financial and demographic information, generally presented on a multi-year basis. The Single Audit Report, which is required for federal grant recipients, is in the compliance section.

All the financial activities of the reporting entity are included within this report. As used here, the reporting entity comprises the primary government (City of Falls Church as legally defined) and its component units. Under GASB pronouncements, component units are legally separate entities for which the primary government is financially accountable. The component units of the City (the City of Falls Church Public School Board and the Falls Church Economic Development Authority) are discretely presented component units. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and changes in financial position from those of the primary government.

GOVERNMENTAL STRUCTURE

The City is located in the northeastern corner of Virginia and encompasses an area of approximately 2 square miles. The City is part of the Washington, D.C. metropolitan area, which includes jurisdictions in Maryland and Northern Virginia, and the District of Columbia.

The City is a municipal corporation incorporated as an independent city in 1948 under the laws of the Commonwealth of Virginia, and is not part of any county. The City operates under a Council-Manager form of government. The City Council (the Council) is comprised of seven members elected at-large for four-year staggered terms. Every two years the Council elects one member to serve as Mayor and one to serve as Vice-Mayor. The Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager, the City Attorney and City Clerk. The Council appoints a City Manager to act as the administrative head of the City. The City Manager serves at the pleasure of the Council, carries out the policies established by the Council, and directs business and administrative procedures.

The City provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets and other infrastructure; and recreational activities and cultural events. The City also provides storm-water and sanitary sewer services to its residents. The storm-water and sanitary sewer functions are included as business-type activities in the City's financial statements. The City is financially accountable for the legally separate school system, which is reported as a component unit within the financial statements.

ECONOMIC DEVELOPMENT TRENDS

The Local Marketplace and Mixed-Use Development

Since the early 2000s, major redevelopment projects in the City's commercial corridors have followed a pattern of replacing existing buildings and uses, usually one-story commercial, with four to seven-story mixed-use buildings. Looking at the last ten years, the following projects have completed construction:

- Northgate (2014) – 1.53 acres, 105 apartments, 38,000 square feet office and retail space;
- Hilton Garden Inn (2014) – 1.14 acres and 110 hotel rooms;
- 301 W. Broad (2016) – 2.63 acres, 288 apartments, 60,000 square feet Harris Teeter, and 3,000 square feet of other retail space;

- Lincoln at Tinner Hill (2016) – 2.19 acres, 244 apartments, 20,000 square feet Target with CVS Pharmacy, and 21,000 square feet additional retail space; and
- Kensington at Falls Church – 120 assisted living beds, 1,100 square feet art gallery, 1,900 square feet café.

These projects represent a combined value (land and building) of \$253 Million. Collectively, the Northgate, 301 W Broad, and Lincoln at Tinner Hill projects generated a net tax revenue of approximately \$1.7 Million in 2017.

Office Trends

Office space in the City averages more than 50 years in age, according to CoStar, which also reports the average rent at \$28.40 per square foot (full service). Newer space averages \$35 per square foot, full service. The City's convenient location and affordable competitive office rental rates contribute to a vacancy rate of between 10 – 15% with the higher rates generally attributable to office space where leases are not renewed for a building that is scheduled for demolition for a new project, or buildings that have had insufficient owner investment, leasing effort and/or noncompetitive leasing rates over an extended period of time. Generally, the City's availability of well located, affordable office space, including harder-to-find smaller spaces (500 SF or less) for start-ups continues to be attractive to prospective tenants.

The City trend in attracting medical practices, small professional office tenants and urgent care centers continues. In the last year, a new Patient First facility located in the City in the ground floor of the Broadway mixed use building. In addition, both Kaiser and Inova Health Systems continue to make substantial improvements in their buildings in the last two years. There are many new and existing dental and medical practices in both older and new office buildings in the City, including in the newer mixed use buildings.

Retail Trends

Retail vacancy in the City, according to CoStar remains low at less than 5%. Retail space that is vacated is generally quickly backfilled, and typically at higher rent. Also according to CoStar, average retail rent in the City is at \$35 per square foot (triple net). This average does not include the far higher lease rates for space at the Eden Center, which are not reflected in CoStar data.

There are 113 food establishments/restaurants in the City, 34 of which are located in Eden Center. In 2018 and thus far in 2019, the following restaurants opened in the City: Thompson's Italian, Mediterranean Chicken, Liberty BBQ, Northside Social (café), Dominion Wine & Beer (small plates section), Famille (café) in the Kensington Assisted Living facility, Audacious Aleworks, the reopening of Panjshir (Afghan), El Patron Bar & Grill, Kustard and Company (soft serve ice cream) in addition to new restaurants in the Eden Center.

A new Aldi grocery store also opened in early March 2019, joining existing City grocers Giant, Harris Teeter, Troika Gastronom, Good Fortune, and the large grocery department of Target.

The health, fitness and beauty boom continues in the City, with many spas, hair styling (including the latest popular trend of barbershops), yoga, crossfit, boxing, cycling and other concepts opening their doors in Falls Church.

Pipeline Projects

Founders Row - A land entitlement application was approved in 2018 for a \$200 million mixed-use project on 4.3 acres at the northeast corner of West and Broad streets. This is the largest redevelopment project the City has approved and seen through to construction. Founders Row is now under construction with an anticipated completion date in late 2021. The project will include 322 market-rate apartments, an addition 72 age-restricted apartments, and about 100,000 square feet of retail/restaurant space, including a 6-8 screen/800 seat, dine-in Movie Theater.

Insight/Broad and Washington - Insight Property Group gained approval from City Council for a large mixed-use project on 2.6 acres at the intersection of Routes 7 (Broad Street) and 29 (N./S. Washington Street) in the center of Falls Church in 2018. That project consists of 295 apartments, a 5,000-square foot local theater, 14,000 square feet of restaurant space, 12,000 square feet of retail space and 67,000 square feet of office space. (Note: in November 2019 the City received a new application to modify the mix of uses to include a grocery store and eliminate the office space.)

Intense interest and activity from investors pursuing land assembly and higher density development opportunities in the City of Falls Church continues. The City seeks to capture investment and new development with the right mix of uses to strengthen, broaden and balance its tax base. The multi-family residential market still shows strength for new rental housing, especially smaller units targeted to young professionals and empty nesters in the Washington, DC area. The market for age-restricted, active senior apartments is emerging in the City and developers are taking notice.

George Mason High School Campus/West Falls Church Economic Development Project

The most significant and important future land use project anticipated in the City was formally and officially launched on November 7, 2017, when 64% of City voters authorized the issuance of up to \$120 million in bonds to pay for a new high school in the City. Both the City schools and the City government have selected partners for each of two projects: 1) constructing a new high school (Gilbane Construction Company) and 2) developing the 10-acre site located at the corner of Haycock Road and Leesburg Pike (Falls Church Gateway Partners). Construction for the new high school began in the summer of 2019 and is scheduled to be completed in December 2020. Development on the approximately 10-acre site will commence in 2021 after the new school is open.

The City and Falls Church Gateway Partners agreed to a Comprehensive Agreement that sets the financial terms for the approximately 10-acre West Falls Church Economic Development Project. Key terms include:

- 99 year ground lease for the majority of the site, and fee sale of the portion of the site designated for residential condominium.
- Phase 1 payments: \$34.5 Million in 5 payments between 2019 and 2024. Payment #1 of \$6.5 million was received in September 2019.
- Phase 2 payment: \$10 Million, or appraised value minus infrastructure credit, whichever is higher, no later than 2029
- The City will credit a portion of real estate taxes during Phase 1 construction in exchange for a \$200,000 per year lease payment commencing in 2029 and continuing for the remainder of the lease term, with 2% escalation per year.
- The developer will pay capital event payments to the City at each time of future sale (or refinancing) of the leasehold and sale of each condo unit; and will pay a profit sharing provision at time of construction financing.

The City Council approved the zoning entitlements for the project on July 8, 2019, including:

- approximately 150-225 units of senior housing,
- 330,000 square feet of Class A commercial office space in phase 1 and 2 of development,
- approximately 145-350 units of condominiums and approximately 275-375 units of multi-family apartments,
- affordable dwelling units equal to 6% of the total number of dwelling units,
- large central open space for gathering and community events,
- approximately 123,400 square feet of retail,
- approximately 20,000 square feet for a possible music/civic space venue,
- and a high quality hotel with conference space.

The development team is expected to file a site plan in January 2020 to provide final site details, such as building footprints, architectural facades, utility connections, and streetscape.

The Eden Center

One of the most remarkable commercial stories in Falls Church and, indeed, the metropolitan Washington region, is the Eden Center on Wilson Boulevard. The center is Northern Virginia's premier Asian shopping destination, with over 130 businesses. Its Vietnamese restaurants (34), eclectic array of shops, vendors and cultural events regularly draw chartered buses from surrounding states and Canada. The center is anchored by the 43,000 square foot Good Fortune grocery store, a New York-based Asian grocery chain. Due to the unique nature of the center and its popularity, there is rarely a vacancy in this center.

Employment, Education and Household Income Trends

In December of 2018, the Virginia Employment Commission reported that the City of Falls Church had only a 1.9 percent unemployment rate, down from 2.3 percent at the end of 2017. Out of twenty-two Washington-area cities and counties, the City of Falls Church had the second lowest unemployment rate, behind only Arlington County at 1.7 percent. These rates compare to a state-wide Virginia rate of 2.8 percent and a nationwide rate of 3.7 percent.

According to the US Census Bureau, the City's population had grown to 14,772 in 2018, a 20.3% increase since the 2010 Census. Median household income was \$114,795, and educational attainment of bachelor's or higher was 78.1, which is the highest for any City or County in the US. The City's median home value was \$695,500 for Tax Year 2019.

Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department along with staff from the City Manager's office. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. In addition, we acknowledge the cooperation and assistance of each City department throughout the year in the efficient administration of the City's financial operations.

This CAFR reflects our commitment to the citizens of Falls Church, the City Council, and all interested readers of this report to provide information in conformance with the highest standards of financial reporting.

Respectfully submitted,



F. Wyatt Shields
City Manager



Kiran Bawa
Director of Finance

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the City Council
City of Falls Church, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Falls Church, Virginia (the "City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns* and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Falls Church, Virginia, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, other supplementary information as listed in the table of contents, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

The other supplementary information as listed in the table of contents and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 27, 2019

**CITY OF FALLS CHURCH, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR JUNE 30, 2019**

**FINANCIAL SECTION
MANAGEMENT' S DISCUSSION AND
ANALYSIS**

CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2019

This section of the City of Falls Church, Virginia's (the City) Comprehensive Annual Financial Report (CAFR) presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2019.

We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, and the basic financial statements and related notes, which are also contained in this CAFR.

FINANCIAL HIGHLIGHTS

HIGHLIGHTS FOR GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the City as a whole using the economic resources measurement focus and accrual basis of accounting.

- The City's total net position on a government-wide basis was \$104.2 million at June 30, 2019. Of this balance, \$136.4 million is the Primary Government's and negative \$32.2 million is the component units'. The negative net position for the component unit is due to the recognition of net pension and other post-employment benefits (OPEB) liability as a result of the School Board's participation in the Virginia Retirement System pension plan and other post-employment benefits.
- For FY2019, taxes and other revenues of the City's governmental activities amounted to \$96.0 million and expenses and transfers amounted to \$84.5 million, which resulted in an increase in net position for the City's governmental activities of \$11.5 million.
- Revenues of the City's business-type activities were \$6.4 million, and expenses and transfers were \$4.7 million, which resulted in an increase in net position for the City's business-type activities of approximately \$1.7 million.

In FY2018, the City adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The overall effect of this new standard is to reflect the Town's long-term other postretirement benefit ("OPEB") obligations directly in the financial statements. Under previous accounting guidance, these amounts were recorded incrementally over time, but were not recognized in their entirety. Instead, the total liability which has now been recorded was only disclosed. The new standard not only changes certain measurement methodologies, but also requires that the City record a net OPEB liability directly on the statement of net position and disclose new information.

HIGHLIGHTS FOR FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the City's most significant funds using the current financial resources measurement focus and modified accrual basis of accounting for the City's governmental funds. The City's governmental funds comprise of the General Fund, the Capital Projects Fund, the Special Transportation Fund, FCCTV Fund, and the Affordable Housing Fund. Appropriations for the General Fund, FCCTV Fund, and the Affordable Housing Fund are annual appropriations while the Capital Projects Fund and the Special Transportation Fund are multi-year funds.

The City's proprietary funds, the Sewer and Storm Water funds, are also presented in the fund financial statements but are presented using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used to prepare the government-wide financial statements.

The following are highlights of the City's governmental funds:

- In total, the City's governmental funds reported expenditures and other financing uses in excess of revenues and other financing sources of \$1.4 million primarily as a result of expenditures in the Capital Projects Fund and the Special Transportation Fund using proceeds from debt issuance and other revenues from the prior year.

CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2019

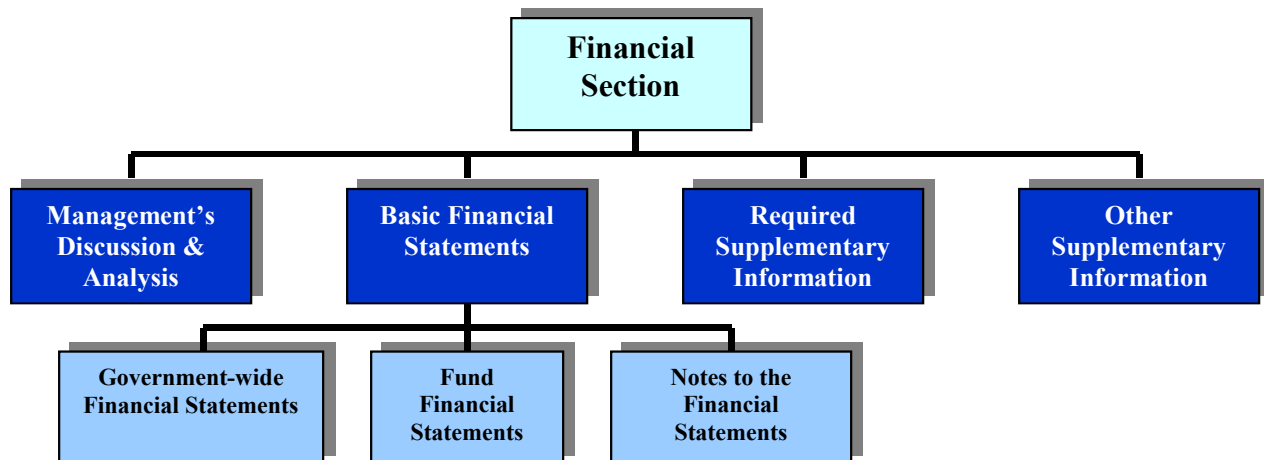
- The City's General Fund reported a total fund balance of \$34.2 million at June 30, 2019, an increase of \$3.0 million over June 30, 2018. The City experienced better than projected revenues in FY2019 and underspent expenditures due to vacancies. A portion of the increase in fund balance includes a planned and budgeted contribution to the capital reserves in the amount of \$1.4 million.
- In the General Fund, the unassigned fund balance as of June 30, 2019 of \$16.3 million was 18.5% of expenditures. Committed fund balance as of June 30, 2019 was \$12.4 million. Of this, \$11.5 million is for future capital projects. Assigned fund balance as of June 30, 2019 was \$5.1 million. Nonspendable and restricted fund balance as of June 30, 2019 was \$495 thousand.
- The City's Capital Projects Fund reported a decrease in fund balance of \$4.1 million, resulting in a balance of \$21.7 million at June 30, 2019. This decrease is due mainly to expenditures incurred for capital projects using proceeds from issuance of debt from prior years.
- The City's Special Transportation Fund reported a decrease in fund balance of \$332 thousand, mainly due to the use of restricted revenues received in prior years to fund current year capital outlay.

The following are highlights of the City's proprietary funds:

- The City's Sewer fund reported an increase in net position of \$1.5 million in FY2019 mainly because a \$1.0 million of its FY2019 service charges was used towards the repayment of principal on its debt and partially as a result of underspending in salary and other programs due to staff vacancies.
- The Storm Water Fund generated an increase in net position of \$235 thousand also due to staff vacancies and \$97 thousand of its FY2019 service charges were used to pay principal on debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this annual report consists of four parts: (1) management's discussion and analysis (MD&A) presented here, (2) basic financial statements and related notes, (3) required supplementary information (RSI), and (4) other supplementary information.



The City's basic financial statements consist of two kinds of statements, each with a different view of the City's finances. The government-wide financial statements provide both long and short-term information about the City's overall financial position. The fund financial statements focus on the individual parts of the City's government, reporting the City's operations in more detail than the government-wide financial statements. The basic financial statements also include notes to explain information in the financial statements and provide more detailed data.

CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2019

The statements and notes are followed by required supplementary information that contains data pertaining to the retirement systems. In addition to these required elements, the City includes other supplementary information such as combining and individual fund statements to provide details about the fiduciary funds, and component units.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the City as a whole using the economic resources measurement focus and the accrual basis of accounting, which are similar to those used by private-sector businesses. In addition, they report the City's net assets and how they have changed during the fiscal year.

The first government-wide statement – the *Statement of Net Position* – presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial health of the City is improving or deteriorating. Additionally, non-financial factors, such as a change in the City's property tax base or the condition of the City facilities, should be considered to assess the overall health of the City.

The second statement – the *Statement of Activities* – presents information showing how the City's net position changed during the fiscal year. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when the cash is received or paid. This statement also highlights the extent to which City programs are able to cover their costs with user fees, contributions, and grants as opposed to being financed with general revenues of the City.

The government-wide financial statements are divided into three categories, as follows:

Governmental Activities – Most of the City's basic services are reported here, including education; public safety; public works; judicial administration; health and welfare services; community development; economic development; parks, recreation, and cultural programs; and general administration. These activities are financed primarily by property taxes, other local taxes, and federal and state grants. Included in the governmental activities are the governmental funds.

Business-type Activities – The City's business-type activities (the Sewer and Storm Water funds) are reported here.

Discretely Presented Component Units – The City includes two other entities in its financial reporting entity: City of Falls Church Public School Board (School Board), and the Falls Church Economic Development Authority (EDA). Although legally separate, these component units are important because the City is financially accountable for them.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the City's most significant funds. Fund accounting is used to keep track of the specific sources of funding and spending for particular purposes, as well as ensure and demonstrate compliance with finance-related legal requirements. The City has the following three types of funds:

Governmental Funds – Most of the City's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can readily be converted to cash, flow in and out and (2) the year-end balances that are available for spending. The governmental funds financial statements provide a detailed short-term or "current financial resources" view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information

CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2019

does not encompass the additional long-term or “economic resources” focus of the government-wide financial statements, additional information is provided with the fund financial statements to explain the relationship (or differences).

The City has five governmental funds: (1) the General Fund, (2) the Capital Projects Fund, (3) the Special Transportation Fund, (4) the Affordable Housing Fund, and (5) the Falls Church Community Television (FCCTV) Fund.

The General Fund is the main operating fund of the City and consequently, the largest of the governmental funds. The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the Proprietary Funds). The Special Transportation Fund is used to account for activities related to transportation, including but not limited to, the additional tax revenues received through the Northern Virginia Transportation Authority (NVTa) specifically levied for certain transportation and transit expenditures. The Affordable Housing Fund accounts for the City's planned investments in affordable housing. The FCCTV Fund accounts for the expenditures in the operation of a TV station that provides public service programs and is mainly funded with a transfer from the General Fund.

Proprietary Funds – Proprietary funds, which consist of two enterprise funds, are used to account for operations that are financed and operated in a manner similar to private business enterprises in which costs are recovered primarily through user charges. Proprietary fund financial statements, like the government-wide financial statements, provide both long and short-term financial information. The City's enterprise funds, the Sewer and Storm Water funds, are the City's business-type activities reported in the government-wide statements. The fund financial statements provide more detail and additional information, such as cash flows, for these two funds.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support City programs. The City's fiduciary funds consist of post-retirement trust funds and agency funds. The post-retirement trust funds are used to account for the assets held in trust by the City for the employees and beneficiaries of its defined benefit pension plans – the Basic Pension Plan and the Police Pension Plan – as well as other post-employment benefits (OPEB), primarily health insurance and life insurance for City and School Board employees. The agency funds are used to account for money received and disbursed on behalf of the Fairfax County and the Northern Virginia Criminal Justice Academy.

CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2019

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

A comparative analysis of government-wide financial information is included in this report.

STATEMENT OF NET POSITION

The following table represents a summary of the net position of the primary government as of June 30, 2019 and 2018.

Summary of Net Position As of June 30, 2019 and 2018 (\$ In Thousands)				
	2019		2018	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
Assets:				
Current and other assets	\$ 83,169	\$ 16,166	\$ 83,012	\$ 16,508
Net pension and OPEB assets	18,976	695	10,960	510
Capital assets, net	125,041	26,595	100,198	25,637
Total assets	227,186	43,456	194,170	42,655
Deferred Outflows of Resources	2,019	251	3,876	280
Liabilities:				
Current liabilities	18,600	738	15,292	499
Noncurrent liabilities	88,743	13,026	75,891	14,191
Total liabilities	107,343	13,764	91,183	14,690
Deferred Inflows of Resources	15,035	349	11,553	223
Net Position:				
Invested in capital assets, net of related debt	61,809	14,675	48,270	12,464
Restricted	10,282	442	8,563	348
Unrestricted*	34,736	14,477	38,477	15,210
Total net position	\$ 106,827	\$ 29,594	\$ 95,310	\$ 28,022
*FY2018 amounts do not reflect prior period restatements as noted on Note 24.				

Current and other assets for governmental activities and business-type activities remain relatively stable between FY2018 and FY2019.

Net pension and OPEB assets show an increase for the governmental activities \$8.0 million and for the business-type activities of \$185 thousand largely due to investment income and contributions income exceeding the costs of the plans during the measurement period of July 1, 2017 to June 30, 2018.

Net capital assets for governmental activities increased by \$24.8 million, primarily due to improvements which are being undertaken for the City Hall, the Mt. Daniel Elementary School, and the Mary Riley Styles Public Library, the construction of a new George Mason High School, as well as various transportation projects including traffic signal replacements and intersection improvements in three locations, bike share installation in ten locations, and

CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2019

undergrounding of utilities. Investments in capital assets totaled \$29.3 million in FY2019; depreciation offset was \$4.2 million.

Net capital assets for business-type activities increased by \$1.0 million as the City continues to make improvements in its sanitary sewer and storm water systems including a pipe-bursting project for sanitary sewer, relining of both sanitary and storm water pipes, daylighting of a stream, and capital improvements to sanitary sewer treatments plants of our partner jurisdictions Arlington County and Fairfax County.

The decrease in deferred outflows of \$1.9 million for the governmental activities and \$28 thousand for the business-type activities is due in large part to the fact that contributions to the various plans are lower in FY2019 than in FY2018 as a result of better than projected investment earnings in prior years. In addition, deferred outflows as a result of assumption changes in prior years are now fully amortized for the City's Basic and Police Pension plans.

The increase in current liabilities for governmental activities of \$3.3 million and for the business-type activities of \$239 thousand is mostly as a result of several ongoing or recently completed capital projects as mentioned earlier in this section.

Non-current liabilities for governmental activities increased by \$12.9 million due to the issuance of \$20.0 million in debt in June 2019, offset by regular annual principal payments made on previously-issued debts in the amount of \$6.2 million.

For the business-type activities, there was a decrease of \$1.2 million in non-current liabilities, due mostly to the payment of regular annual principal on debt of \$1.1 million. No new debt was issued for the City's Sanitary Sewer and Storm Water Funds in FY2019.

Deferred inflows for the City's governmental activities and business-type activities increased in FY2019 by \$3.5 million and \$126 thousand, respectively, largely as a result of investment earnings exceeding actuarial estimates for the measurement period of July 1, 2017 to June 30, 2018.

Net position invested in capital assets, net of related debt, increased for the City's governmental activities by \$13.5 million mainly due to the capital activities discussed earlier in this section as well as the regular repayment of debt. It also increased for the business-type activities by \$2.2 million for similar reasons.

Unrestricted net position for the governmental activities decreased by \$3.7 million largely due to the spending of previously committed capital project funds. Likewise, there is a similar decrease in the unrestricted net position for the business-type activities in the amount of \$733 thousand also due to spending in capital infrastructure.

CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2019

STATEMENT OF ACTIVITIES

The following table summarizes the changes in net position for the primary government for the years ended June 30, 2019 and 2018:

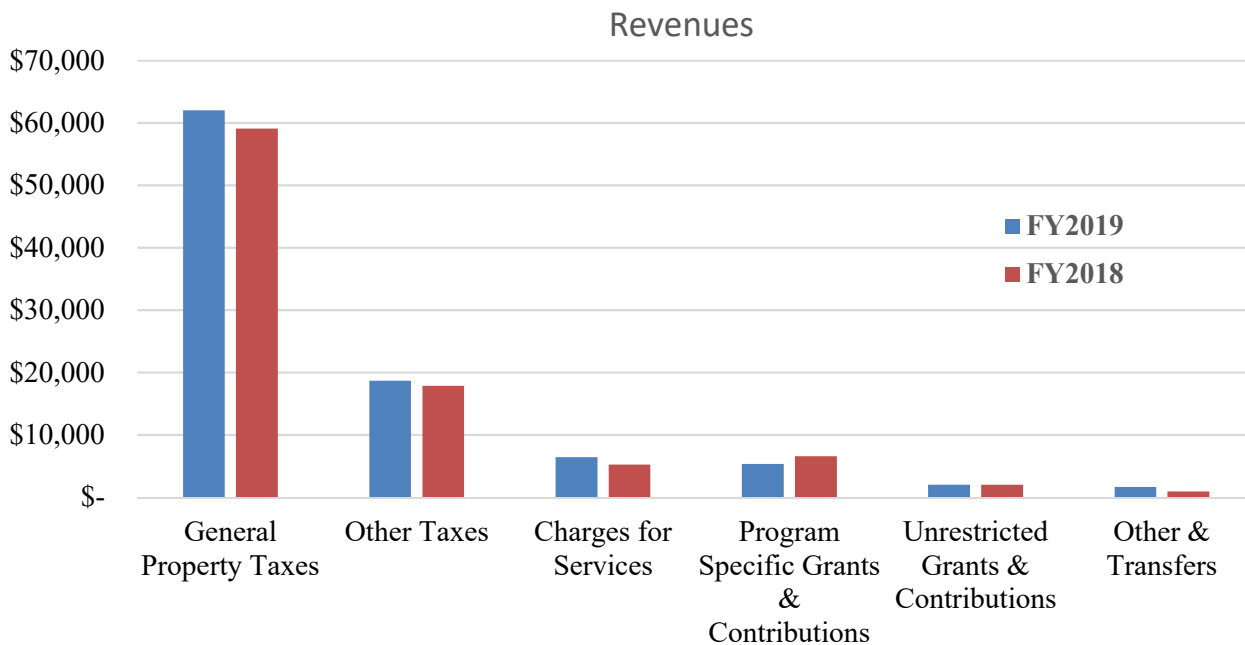
Summary of Changes in Net Position For the Fiscal Years Ended June 30, 2019 and 2018 (\$ In Thousands)				
	2019		2018	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities*
Revenues:				
Program revenues:				
Charges for services	\$ 6,218	\$ 5,971	\$ 5,237	\$ 5,965
Operating grants & contributions	2,573	-	2,319	-
Capital grants & contributions	2,766	-	4,256	19
General revenues:				
General property taxes	62,046	-	59,084	-
Business license taxes, based on gross receipts	4,630	-	4,182	-
Local sales & use taxes	5,172	-	4,704	-
Consumer's utility taxes	2,123	-	2,266	-
Motor vehicle decals	350	-	345	-
Recordation	523	-	524	-
Occupancy, tobacco, & other taxes	5,899	-	5,842	-
Unrestricted grants & contributions	2,021	-	2,021	-
Revenue from use of money and property	1,428	393	726	96
Other	3	-	218	13
Special item - gain/(loss) on sale of capital assets	235	-	-	-
Total revenues	<u>95,987</u>	<u>6,364</u>	<u>91,724</u>	<u>6,093</u>
Expenses*:				
General government administration	6,760	-	6,830	-
Judicial administration	1,785	-	2,057	-
Public safety	10,831	-	11,442	-
Public works	5,885	4,350	6,841	3,961
Health and welfare	2,346	-	2,679	-
Education and payments to schools	44,802	-	42,837	-
Parks, recreation, and cultural	5,606	-	5,372	-
Community development	3,991	-	3,757	-
Economic development	297	-	268	-
Interest expense	2,167	322	1,718	329
Total expenses	<u>84,470</u>	<u>4,672</u>	<u>83,801</u>	<u>4,290</u>
Excess/(deficiency) before transfers	<u>11,517</u>	<u>1,692</u>	<u>7,923</u>	<u>1,803</u>
Change in net assets	11,517	1,692	7,923	1,803
Net position, beginning of year	95,310	27,902	87,387	26,219
Net position, end of year	<u>\$ 106,827</u>	<u>\$ 29,594</u>	<u>\$ 95,310</u>	<u>\$ 28,022</u>
*The FY2018 amounts do not reflect prior period restatements as noted on Note 24.				

**CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2019**

Governmental Activities

Revenues and transfers for the City's governmental activities were \$96.0 million for FY2019 and \$91.7 million for FY2018. Sources of revenue for FY2019 and 2018 are comprised of the following items:

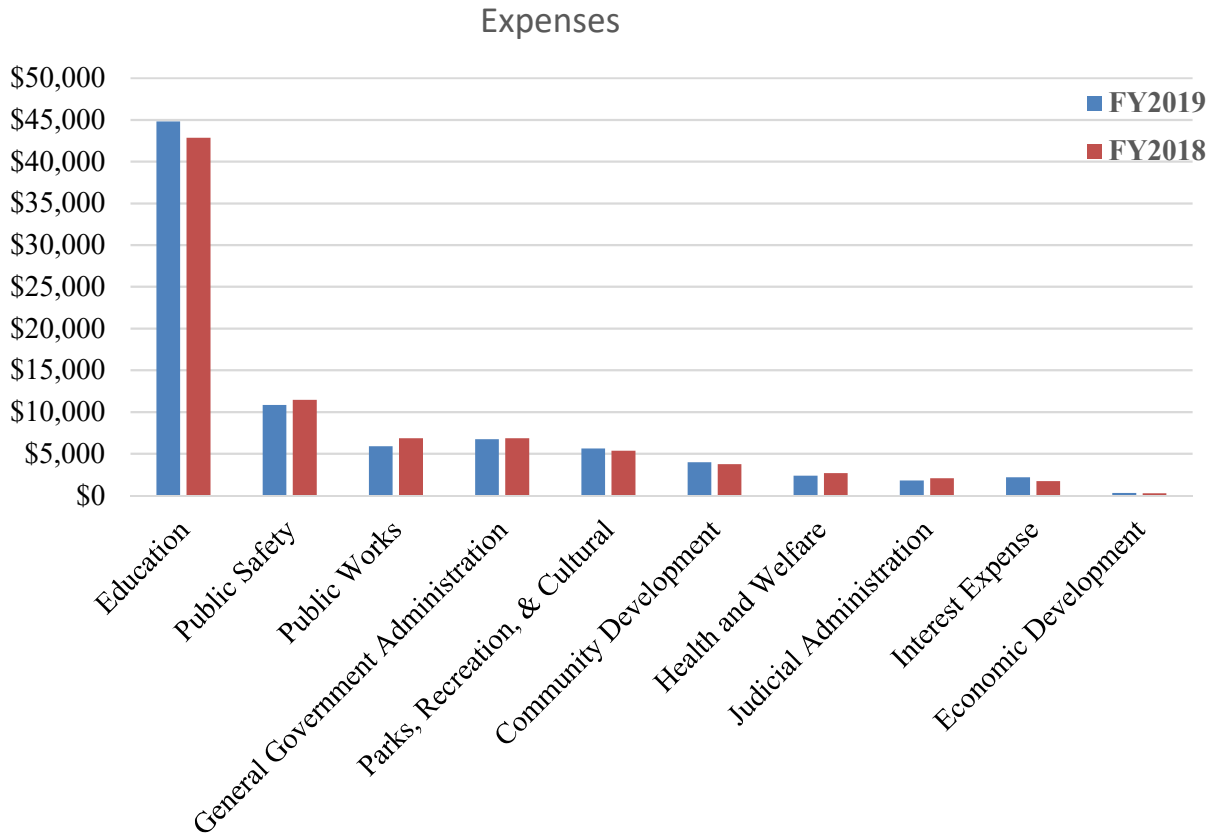
**REVENUES
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018
(\$ IN THOUSANDS)**



Taxes constitute the largest source of City revenues, amounting to \$80.7 million for FY2019 and \$76.9 million for FY2018. Real property taxes (\$56.1 million in FY2019 and \$53.0 million in FY2018) represent approximately 69% of tax revenues in both fiscal years. The City increased real estate taxes by 2.5 cents per \$100 of assessed value. In addition, there was a 3.4% increase in assessed values of real estate property. Sales taxes, meals taxes, and business professional and occupational license taxes also contributed to the increase in tax revenues.

**CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2019**

**EXPENSES
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018
(\$ IN THOUSANDS)**



The cost of all governmental activities in FY2019 was \$84.4 million, and in FY2018 was \$83.8 million, an increase of \$669 thousand or 0.8%. Education expenses (\$44.8 million in FY2019 and \$42.8 million in FY2018) increased primarily as a result of salary increases for employees and a projected enrollment increase of 2.3%. Interest expense increased from \$1.7 million to \$2.2 million due to the issuance of \$20.4 million of debt at the end of FY2018. These increases are partially offset by decreases in other programs generally due to pension and OPEB expense adjustments of \$2.5 million resulting from investment gains during the measurement period in the City's retirement and OPEB plans. These expenditures are allocated amongst the various functions and are reflected in the significant decreases therein. Additional decreases were also seen in public works as a result of spending operating grants for the repaving of roads in FY2018 whereas no such grants were received in FY2019. Education was the City's largest program in both fiscal years 2019 and 2018. Public safety expenses represent the second largest expense in both of the fiscal years, totaling \$10.8 million in FY2019 and \$11.4 million in FY2018. General government administration represented the third largest expense in FY2019 at \$6.7 million while in FY2018, public works represented the third largest expense for the City at \$6.8 million.

The following table presents the cost of each of the City's seven largest programs – education, public safety, public works, general government administration, parks, recreation, and cultural, community development, and health and welfare - as well as each program's net cost (total cost less fees generated by the activities and program-specific intergovernmental aid).

CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2019

Net Cost of City's Governmental Activities For the Fiscal Years Ended June 30, 2019 and 2018 (\$ In Thousands)				
Functions/Programs	2019		2018	
	Total Cost	Net Cost	Total Cost	Net Cost
Education and payments to schools	\$ 44,802	\$ 44,802	\$ 42,837	\$ 42,837
Public safety	10,831	8,263	11,442	9,486
General government administration	6,760	6,484	6,830	6,573
Public works	5,885	2,582	6,841	1,229
Parks, recreation, and cultural	5,606	2,765	5,372	3,018
Community development	3,991	2,828	3,757	3,384
Health and welfare	2,346	2,241	2,679	2,589
Other	4,249	2,948	4,043	2,873
Total	\$ 84,470	\$ 72,913	\$ 83,801	\$ 71,989

Some of the cost of governmental activities was paid by those who directly benefited from the programs (\$6.2 million in FY2019 and \$5.2 million in FY2018) and other governments and organizations that subsidized certain programs with grants and contributions (\$5.3 million in FY2019 and \$6.6 million in FY2018). The remaining net cost services of the \$72.9 million in FY2019 and \$72.0 million in FY2018 was subsidized by the taxpayers.

Other costs for education as well as program-specific revenues are also reported in the component unit School Board.

Business-type Activities

The Sewer Fund reported an increase in net position of \$1.4 million for FY2019 and an increase of \$1.3 million for FY2018. In FY2019, total revenues of the Sewer Fund were \$4.7 million as compared to total costs of \$3.3 million. In FY2018, total revenues of the Sewer Fund were \$4.5 million and total costs and transfers were \$3.1 million. The increase in revenues in FY2019 was mainly due to an increase in investment yield due to higher interest rates.

The Storm Water Fund's net position increased by \$236 thousand in FY2019 and \$466 thousand in FY2018. Total revenues in FY2019 and in FY2018 were \$1.7 million and \$1.6 million, respectively. Expenses and transfers were \$1.4 million in FY2019 and \$1.2 million in FY2018. The fee for the storm water was \$18.00 per 200 square feet of impervious surface for these two years.

**CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2019**

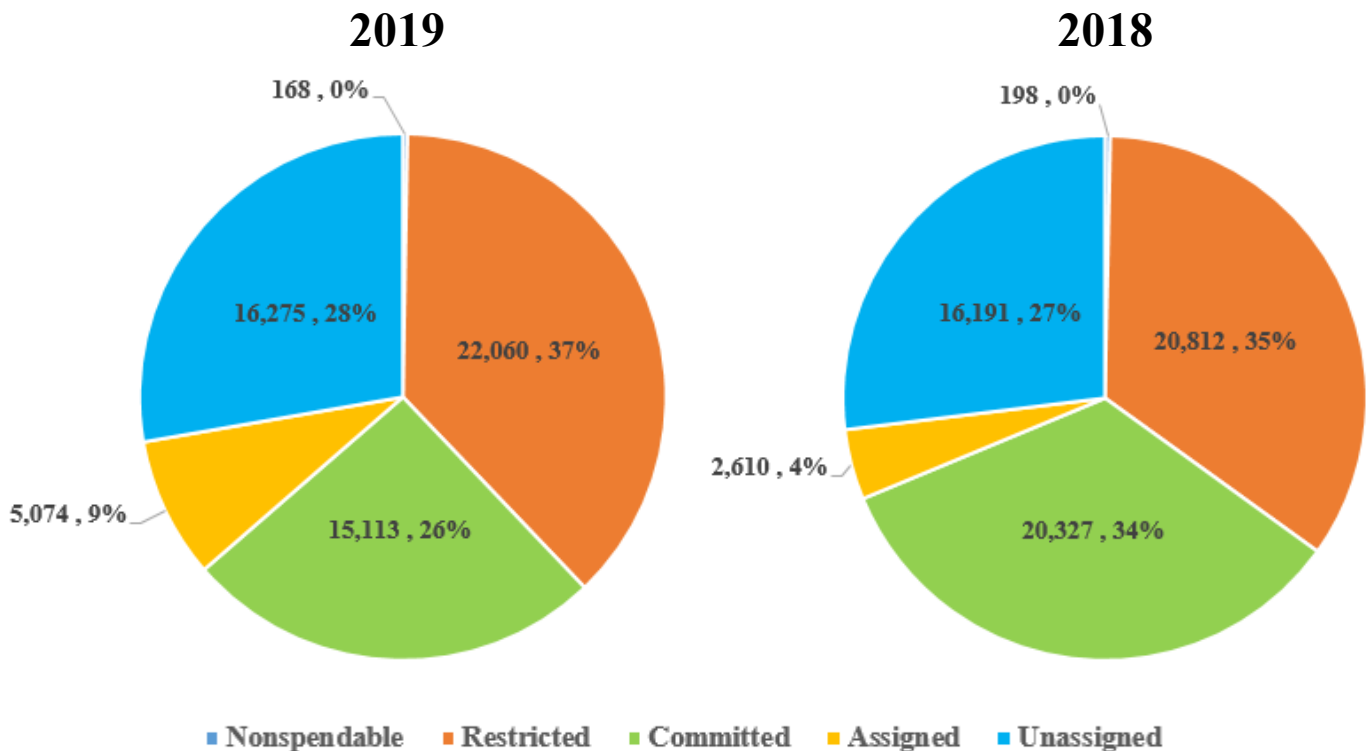
FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The City reports fund balance in accordance with accounting principles generally accepted in the United States of America (GAAP), which categorizes fund balance into five classification based upon constraints placed on the use of resources. Note 25 provides additional information on the fund balance categories.

The following charts represent the components of City's combined governmental fund balances as of June 30, 2019 and 2018.

**GOVERNMENTAL FUNDS – FUND BALANCES
AS OF JUNE 30, 2019 AND 2018 (\$ IN THOUSANDS)**



Overall, the fund balance for all governmental funds decreased by approximately \$1.4 million in FY2019 (\$96.2 million in revenues and \$24.1 million in other financing sources less total expenditures and other financing uses of \$121.7 million) and increased by \$4.1 million in FY2018 (\$91.8 million in revenues and \$23.0 million in other financing sources less total expenditures and other financing uses of \$110.6 million). The decrease was mostly due to the spending of prior year committed funds in the Capital Project and Special Transportation Funds.

CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2019

Revenues increased by \$4.4 million in FY2019 mainly due to an increase in assessed values of real property of 3.4% as well as an increase of 2.5 cents for every \$100 of real property assessed value. The City also experienced a \$0.8 million increase in other local taxes, with \$0.7 million of the increase attributed to sales and meals tax revenues. The 2.5 cents increase in real estate taxes was made partly to ramp up sufficient tax revenues for debt service in the coming years to pay for major construction projects including the George Mason High School (2 cents) and partly to pay for the increase in the City's local obligation to WMATA in FY2019 (.5 cents).

The City issued debt in FY2019 of \$20 million and \$22.8 million in FY2018 to fund capital projects.

The increase of \$7.3 million in expenditures was primarily due to construction activity in the capital project fund for several projects including the renovation of the City Hall, Mt. Daniel Elementary School, and Mary Riley Styles Public Library and the construction of the new George Mason High School.

Governmental fund balance is categorized into the following categories:

- Unassigned Fund Balance – Approximately 28% of the total fund balance consists of unassigned fund balance in the General Fund. This fund balance provides the City with some margin of financial safety to address unforeseen emergencies or declines in revenues.
- Committed Fund Balance – Committed fund balance makes up about 26% of the City's fund balance and represents amounts committed by the City Council for future capital expenditures (\$11.1 million in FY2019 and \$9.8 million in FY2018), for costs associated with future development inspections (\$0.9 million in FY2019 and in FY2018). In FY2019, City Council appropriated a portion of its tax revenues (\$1.39M) to be placed in its capital reserves. The \$1.39M was funded with the 2 cents increase in real estate tax rate mentioned earlier as well as 1.5 cents of real estate tax rate implemented in FY2018.
- Restricted Fund Balance – Restricted fund balance which makes up 37% of the City's fund balance are bond proceeds and grants which have not yet been spent for their specified purpose. A majority of this amount is from bond proceeds issued to finance capital projects.
- Assigned Fund Balance – Assigned fund balance which makes up about 9% of the City's fund balance represents amounts that were assigned to capital reserves by the City Manager and funds that are encumbered for various expenditures other than capital projects.
- Non-spendable Fund Balance – Non-spendable fund balance comprises approximately 0.3% of the City's fund balance and includes amounts that are not available for spending such as inventory and prepaid expenses.

The City Council adopted a target range of 12%-17% of General Fund expenditures for unassigned General Fund fund balance, with a requirement to meet the 12% minimum balance within 2 years of falling below it, and to meet the 17% balance within 3 additional years. The ending General Fund unassigned fund balance as of June 30, 2019 of \$16.3 million represents 18.5% of General Fund expenditures.

CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2019

The following shows the fund balances of these funds by fund as of June 30, 2019 and 2018:

Fund Balances - Governmental Funds										
As of June 30, 2019 and 2018										
(\$ In Thousands)										
	General Fund		Capital Projects Fund		Special Transportation Fund		Other Governmental Funds		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Non-spendable	\$ 168	\$ 197	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 168	\$ 197
Restricted	326	924	21,679	19,736	54	152	-	-	22,059	20,812
Committed	12,362	11,312	-	6,086	2,327	2,561	425	369	15,114	20,328
Assigned	5,074	2,610	-	-	-	-	-	-	5,074	2,610
Unassigned	16,275	16,191	-	-	-	-	-	-	16,275	16,191
Total	\$ 34,205	\$ 31,234	\$ 21,679	\$ 25,822	\$ 2,381	\$ 2,713	\$ 425	\$ 369	\$ 58,690	\$ 60,138

The following shows the changes in the individual fund balances for fiscal years 2019 and 2018:

Changes in Fund Balances - Governmental Funds										
For the Fiscal Years Ended June 30, 2019 and 2018										
(\$ In Thousands)										
	General Fund		Capital Projects Fund		Special Transportation Fund		Other Governmental Funds		Total*	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenues and other financing sources	\$ 94,335	\$ 89,124	\$ 22,522	\$ 23,783	\$ 3,087	\$ 4,652	\$ 347	\$ 227	\$ 116,460	\$ 114,733
Expenditures and other financing uses	91,364	87,314	26,664	20,828	3,419	5,406	291	149	117,907	110,644
Changes in Fund Balances	2,971	1,810	(4,142)	2,955	(332)	(754)	56	78	(1,447)	4,089
Fund balance at beginning of year	31,234	29,424	25,821	22,866	2,713	3,467	369	291	60,137	56,048
Fund balance at end of year	\$ 34,205	\$ 31,234	\$ 21,679	\$ 25,821	\$ 2,381	\$ 2,713	\$ 425	\$ 369	\$ 58,690	\$ 60,137
*Transfers between funds have been eliminated in the Total columns.										

The City's enterprise funds provide the same type of information found in the government-wide financial statements, as the basis of accounting is the same. Factors concerning finances of the Sewer and Storm Water funds have already been addressed in the discussion of the City's business-type activities.

CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2019

GENERAL FUND BUDGETARY HIGHLIGHTS

Final amended budget appropriations for the General Fund, which include expenditures and other financing uses, were higher than the original budget by \$3.3 million or 3.7%. \$1.3 million of the increase is from encumbrances from FY2018 that were carried forward into FY2019. The remaining appropriation was funded with additional grants, other revenues, and use of prior year committed or assigned fund balances for capital programs.

The final amended budget revenues and other financing sources were more than the original budget by \$1.8 million or 1.9%. The change is mostly due to the appropriation of additional state grants and other revenues received during the year, particularly investment income.

Actual revenues exceeded final budget by \$1.9 million and other financing sources were lower than final budget amounts by \$1 million. Actual expenditures were lower than the final budget by \$3.3 million and other financing came in slightly under budget by \$42 thousand. Highlights of the comparison of final budget to actual figures for the fiscal year ended June 30, 2019 include the following:

- Local taxes for sales showed a robust growth in FY2019 partly due to the opening of new stores including Target and Aldi in 2018. Similarly, meals tax also performed better than projected. Investment revenue is also higher than projected due to higher yield than expected.
- Actual departmental expenditures shown in Exhibit 25 were less than budgeted amounts by \$1.9 million.
 - The Department of Public Works was below budget by \$1.1 million as certain maintenance activities such as for the repaving of roads were not completed by the end of the fiscal year. In addition, maintenance contracts for the City Hall were suspended for the majority of the year due to the construction. \$930 thousand of the underspending was encumbered at the end of the year and will be carried forward into FY2020.
 - The Department of Community Planning and Economic Development Services came in under budget BY \$200 thousand due to the non-expenditure of a grant received for the maintenance of the bike share program. The bike share program was implemented at the end of the fiscal year which deferred a majority of the planned maintenance cost to FY2020.
 - The Sheriff's Office also came in under budget by \$100 thousand as a result of position vacancies as well as low demand for and utilization of jail contracts.
 - Nondepartmental expenditures also came in below budget by \$800,000. The City appropriated \$800 thousand in debt proceeds to cover estimated debt issuance cost on a \$60-\$70 million issuance. However, the City delayed the issuance of the debt to November 2019. This delay contributed to the lower than budgeted other financing sources and non-departmental expenditures.

In total, for the General Fund, approximately \$1.3 million in unliquidated encumbrances are being carried forward into FY2020 for expenditure.

CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2019

CAPITAL ASSETS AND LONG-TERM DEBT

The City's investment in capital assets (net of accumulated depreciation and amortization) as of June 30, 2019 and 2018, amounted to approximately \$126.2 million and \$100.2 million, respectively, as summarized in the following table:

Capital Assets As of June 30, 2019 and 2018 (\$ In Thousands)						
	2019			2018		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Land	\$ 9,553	\$ -	\$ 9,553	\$ 9,553	\$ -	\$ 9,553
Construction in progress	16,687	1,273	17,960	29,923	193	30,116
Buildings and system	109,805	8,812	118,617	76,261	8,391	84,652
Machinery and equipment	21,523	950	22,473	17,347	914	18,261
Improvements other than buildings	7,149	2,188	9,337	6,328	1,955	8,283
Purchased capacity	-	21,282	21,282	-	20,888	20,888
Infrastructure	11,571	7,006	18,577	8,750	6,895	15,645
Intangibles	1,482	17	1,499	1,448	10	1,458
Library collections	2,485	-	2,485	2,313	-	2,313
Accumulated depreciation	(55,214)	(14,933)	(70,147)	(51,725)	(13,609)	(65,334)
Total Capital Assets, Net	<u>\$ 125,041</u>	<u>\$ 26,595</u>	<u>\$ 151,636</u>	<u>\$ 100,198</u>	<u>\$ 25,637</u>	<u>\$ 125,835</u>

This year's major capital asset events included the following:

- Completion of the renovation and expansion of the Mt. Daniel Elementary School in early FY2019.
- Substantial completion of the renovation and expansion of the City Hall at the end of FY2019.
- Completion of enhancements to three intersections – Roosevelt Street and East Broad Street, Roosevelt Boulevard and Roosevelt Street, and East Broad Street and Cherry Street, which included the addition of sidewalks along Roosevelt Street, replacement of traffic lights and construction of bus shelters at the three locations.
- Implementation of the bike share program in May 2019, creating twelve stations within the City with ten bikes each.
- Completion of the expansion and renovation of the Van Buren Bridge in early FY2019.
- Undergrounding of utilities along South Washington Street/Route 29 to make way for improvements along that corridor.

The City's School Board awarded a contract in FY2019 to design and build the new George Mason High School, a project that is budgeted for \$117.3 million. Construction began in July 2019 and completion is expected in January 2021.

The City is also in the design phase for the renovation and expansion of the Mary Riley Stiles Public Library with construction expected to begin in 2020.

The City has several ongoing transportation projects which are still largely in the architectural and engineering phase.

See Note 8 in the notes to the financial statements for additional information pertaining to the city's capital assets.

CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2019

LONG-TERM DEBT

The City maintains credit ratings of Aaa from Moody's Investor Services and AAA from Standard and Poor's Corporation and Fitch Ratings.

The City's legal limit for outstanding debt is 10% of taxable assessed real property within the City, which were \$417.1 million and \$403.4 million as of June 30, 2019 and June 30, 2018, respectively. The City's total long-term debt that is applicable to this limit was \$98.9 million as of June 30, 2019 and \$83.0 million as of June 30, 2018, and is well within the limits set by the Constitution of the Commonwealth of Virginia.

The City Council has adopted a policy that sets a limit for outstanding General Fund supported debt at 5% of total taxable assessed value of real property. In addition, annual debt service payments must be less than 12% of annual General Fund expenditures. As of June 30, 2019 and 2018, total debt outstanding was 2.1% and 1.7%, respectively, of taxable assessed value of real property. General Fund debt service payments were 9.4% and 7.8% of General Fund expenditures in FY2019 and FY2018, respectively. Both ratios are below the City's debt limit policy of 12% of General Fund expenditures. The increase in FY2019 resulted from the issuance of \$20.4 million in new debt in 2018 for which debt service began in FY2019.

The City also has a policy of 5-year payout ratio of 25% and a 10-year payout ratio of 50% for its General Fund debt service. As of June 30, 2019, the City's 5-year payout ratio was 43% and 10-year payout ratio was 68%. As of June 30, 2018, the City's 5-year payout ratio was 42% and 10-year payout ratio was 67%. The payout ratio as of June 30, 2019 excludes from the calculation the 3-year general obligation note issued in June 2019.

The School Board Component Unit relies upon the City to provide full faith and credit for any general obligation debt incurred. Therefore, the City reports general obligation debt incurred for school capital improvements as its own. The School Board reports as its own liability obligations for capital leases, compensated absences and pension.

The following table shows a summary of the City's outstanding debt as of June 30, 2019 and 2018:

CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2019

Outstanding Long-Term Debts As of June 30, 2019 and 2018 (\$ In Thousands)								
	2019			2018				
	Govern- mental Activities	Business-Type Activities	Total	Govern- mental Activities	Business-Type Activities	Total		
General obligation bonds issued for:								
Schools	\$ 37,608	\$ -	\$ 37,608	\$ 41,408	\$ -	\$ 41,408		
Community center	556	-	556	728	-	728		
Fire station	1,634	-	1,634	1,985	-	1,985		
City hall	14,044	-	14,044	14,855	-	14,855		
Library	991	-	991	1,044	-	1,044		
Parks & Open space	1,874	-	1,874	2,065	-	2,065		
Transportation	2,266	-	2,266	2,285	-	2,285		
Other	2,886	-	2,886	3,674	-	3,674		
Sewer system	-	10,902	10,902	-	11,912	11,912		
Stormwater system	-	1,714	1,714	-	1,812	1,812		
Note payable issued for:								
Open space	4,700	-	4,700	-	-	-		
Schools	15,300	-	15,300	-	-	-		
Capital leases and other	5,163	379	5,542	5,497	389	5,886		
Total	\$ 87,022	\$ 12,995	\$ 100,017	\$ 73,541	\$ 14,113	\$ 87,654		

See Note 10 in the notes to the financial statements for additional information relative to the City's long-term debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The following economic factors are reflected in the General Fund adopted budget for the FY2020:

- The City's adopted budget for FY2020 includes a 3.35% increase in the assessed values of taxable real property.
- Residential assessed values are stable. Median single family home value as of January 1, 2018 increased slightly to \$825,200 from \$805,100 as of January 1, 2019 and continues to outperform the Washington Metro area and US markets.
- Other revenues are expected to remain largely unchanged in FY2020 as compared to FY2019 actuals.

The City maintained its real estate tax rate of \$1.355 for every \$100 of assessed value for FY2020. Debt service is projected to increase by 51% or \$4.3 million. \$2.9 million of the increase will be paid for with capital reserves set aside in prior years as planned. Debt service is projected to increase due to the anticipated issuance of \$60 million to \$70 million of new debt in 2019 to finance in large part the cost of the construction of the new George Mason High School.

Programmatic expenditures in the General Fund remain relatively stable as compared to the FY2019 budget with the exception of the City's locally-funded contribution to the Washington Metropolitan Area Transportation Authority (WMATA) which is projected to increase by \$500 thousand, an increase of 37% over FY2019. The increase is due to a combination of escalating costs and reduced revenues at WMATA which is being passed down to contributing jurisdictions. Although Virginia's General Assembly designated approximately \$154 million of Virginia revenues

CITY OF FALLS CHURCH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2019

towards WMATA capital expenditures and directed WMATA to limit Virginia jurisdictions' operating and capital contributions to a 3% increase every year, the City's FY2020 contribution includes exceptions and deferred payments for FY2019 costs.

The City's transfer to the School Board increased by 2.5% or \$1.0 million generally as a result of normal increases in salary and benefits.

In FY2020, contribution to the Basic Pension Plan is reduced slightly from 4.36% in FY2019 to 4.3% of covered payroll. Contribution to the Police Pension Plan will also decrease from 17.73% to 14.78% of covered payroll. These rates are further reduced by the return of investment on one-time additional contribution made by the City to the Basic and Police Pension Plans in FY2015. Contribution to the Virginia Retirement System (VRS), which covers the City's Constitutional Officers remains the same at 1.47%. Contribution by the School Board to the VRS will also remain unchanged at 16.88% of covered payroll. These rates are in addition to 5% employee contribution. The contribution rates to the VRS are subject to action by the General Assembly.

Over the last few years, capital needs have dominated the budgetary decisions as the City embarked on the construction of the new George Mason High School estimated to cost \$117.3 million and other capital projects including the expansion of the Mary Riley Styles Public Library, the renovation of the City Hall, and the expansion of Mt. Daniel Elementary School. To defray the fiscal impact of the capital plan, the City worked towards developing an area of 10.3 acres adjacent to the George Mason High School referred to as West Falls Church Development Project. In November 2018, the City Council approved an interim agreement for a public-private partnership with EYA, PN Hoffman, and Regency Centers to develop that area. The Comprehensive Agreement was executed in May 2019.

Pressures on the City budget due to the uncertainties of the economy and the necessary expenditures required to maintain a safe and vibrant community will continue to be a challenge. Other areas that will continue to be addressed are competitive compensation to attract and retain a skilled work force and increased local funding of state mandated programs. Debt service will increase in the next two years as a result of the issuance of new debt for the George Mason High School and the Library. Some portion of the debt service have been accounted for in the recent increases to the real estate tax rate and a portion will be paid for from the ground lease of the West Falls Church Development Project.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City of Falls Church, Division of Finance, 300 Park Avenue, Falls Church, VA 22046.

Respectfully submitted,



Kiran Bawa
Director of Finance

BASIC FINANCIAL STATEMENTS

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GOVERNMENT WIDE FINANCIAL STATEMENTS

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CITY OF FALLS CHURCH, VIRGINIA

STATEMENT OF NET POSITION
June 30, 2019

	Primary Government			Discretely Presented Component Units	
	Governmental Activities	Business-Type Activities	Totals	School Board	Economic Development Authority
ASSETS					
Cash and investments (Note 4)	\$ 42,648,488	\$ 14,881,362	\$ 57,529,850	\$ 3,968,957	\$ 2,096,914
Receivables, net (Note 5)	8,052,988	877,469	8,930,457	167,890	-
Due from agency funds	55,680	-	55,680	-	-
Internal balances	477,446	(477,446)	-	-	-
Due from component unit	232,007	-	232,007	-	-
Due from fiduciary funds	1,693,510	-	1,693,510	209,383	-
Due from primary government	-	-	-	4,873,048	-
Due from other governments (Note 6)	3,617,683	85,830	3,703,513	434,151	-
Prepays	43,548	-	43,548	26,777	-
Inventories	124,828	18,536	143,364	-	-
Restricted cash and cash equivalents (Note 4)	26,221,933	779,837	27,001,770	-	-
Net OPEB asset (Note 20)	-	-	-	1,965,531	-
Net pension asset (Note 16)	18,976,468	695,045	19,671,513	3,292,408	-
Capital assets: (Note 8)					
Nondepreciable	26,239,921	1,272,944	27,512,865	1,273,354	-
Depreciable, net	98,801,205	25,321,915	124,123,120	3,670,292	-
Total assets	227,185,705	43,455,492	270,641,197	19,881,791	2,096,914
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions (Note 16)	1,140,561	108,989	1,249,550	6,501,103	-
Deferred outflows related to OPEB (Note 20)	708,757	17,725	726,482	739,076	-
Deferred amount on refunding	169,203	125,033	294,236	-	-
Total deferred outflows of resources	2,018,521	251,747	2,270,268	7,240,179	-
LIABILITIES					
Accounts payable and other liabilities	10,926,784	601,391	11,528,175	6,420,506	250,000
Accrued interest	973,712	136,984	1,110,696	-	-
Customer deposits	1,486,386	-	1,486,386	-	-
Due to component unit	4,873,048	-	4,873,048	-	-
Due to primary government	-	-	-	-	232,007
Due to other governments (Note 6)	339,974	-	339,974	-	-
Noncurrent liabilities:					
Net pension liability (Note 16)	-	-	-	37,232,000	-
Net OPEB liability (Note 20)	1,720,833	31,344	1,752,177	6,111,000	-
Due within one year (Note 10)	7,263,434	1,185,589	8,449,023	1,421,655	-
Due in more than one year (Note 10)	79,758,479	11,809,426	91,567,905	2,443,140	-
Total liabilities	107,342,650	13,764,734	121,107,384	53,628,301	482,007
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions (Note 16)	8,236,431	309,696	8,546,127	6,275,271	-
Deferred inflows related to OPEB (Note 20)	912,617	38,984	951,601	1,061,199	-
Unearned revenue (Note 9)	5,885,728	-	5,885,728	-	-
Total deferred inflows of resources	15,034,776	348,680	15,383,456	7,336,470	-
NET POSITION					
Net investment in capital assets	61,809,131	14,674,620	76,483,751	4,401,363	-
Restricted for:					
Pension and OPEB	9,955,905	441,735	10,397,640	-	-
Grants	326,466	-	326,466	-	-
Unrestricted	34,735,298	14,477,470	49,212,768	(38,244,164)	1,614,907
Total net position	\$ 106,826,800	\$ 29,593,825	\$ 136,420,625	\$ (33,842,801)	\$ 1,614,907

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT 2

CITY OF FALLS CHURCH, VIRGINIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-Type Activities	Totals	School Board	Economic Development Authority
Primary Government:									
Governmental activities:									
General government	\$ 6,759,570	\$ 63,234	\$ 212,546	\$ -	\$ (6,483,790)		\$ (6,483,790)		
Judicial administration	1,785,143	1,026,814	155,316	-	(603,013)		(603,013)		
Public safety	10,831,092	2,012,631	555,098	-	(8,263,363)		(8,263,363)		
Public works	5,885,225	621,525	1,175,254	1,506,161	(2,582,285)		(2,582,285)		
Health and welfare	2,346,246	16,050	89,322	-	(2,240,874)		(2,240,874)		
Parks, recreation, and cultural	5,606,037	2,129,444	182,586	528,824	(2,765,183)		(2,765,183)		
Community development	3,990,673	347,962	83,616	730,809	(2,828,286)		(2,828,286)		
Economic development	296,976	-	-	-	(296,976)		(296,976)		
Education	44,801,558	-	-	-	(44,801,558)		(44,801,558)		
Interest	2,167,112	-	119,595	-	(2,047,517)		(2,047,517)		
Total governmental activities	84,469,632	6,217,660	2,573,333	2,765,794	(72,912,845)		(72,912,845)		
Business-type activities:									
Sewer	3,258,103	4,377,024	-	-		1,118,921	1,118,921		
Storm water	1,414,356	1,594,293	-	-		179,937	179,937		
Total business-type activities	4,672,459	5,971,317	-	-		1,298,858	1,298,858		
Total primary government	\$ 89,142,091	\$ 12,188,977	\$ 2,573,333	\$ 2,765,794	(72,912,845)	1,298,858	(71,613,987)		
Discretely Presented Component Units:									
School Board	\$ 50,832,829	\$ 2,950,237	\$ 7,484,442	\$ -				\$ (40,398,150)	\$ -
Economic Development Authority	252,911	-	-	-				-	(252,911)
Total component units	\$ 51,085,740	\$ 2,950,237	\$ 7,484,442	\$ -				(40,398,150)	(252,911)
General revenues:									
General property taxes					62,045,603	-	62,045,603	-	-
Other local taxes:									
Business licenses					4,629,217	-	4,629,217	-	-
Local sales and use					5,172,399	-	5,172,399	-	-
Consumer utility					2,123,278	-	2,123,278	-	-
Motor vehicle decals					350,424	-	350,424	-	-
Real estate recordation taxes					523,282	-	523,282	-	-
Occupancy, tobacco, and other					5,898,941	-	5,898,941	-	-
Payments from City					-	-	-	42,319,046	-
Intergovernmental, non-categorical aid					2,020,878	-	2,020,878	-	-
Revenue from use of money and property, unrestricted					1,427,748	393,340	1,821,088	191,631	37,773
Gain on sale of capital assets					235,000	-	235,000	-	-
Miscellaneous					2,689	-	2,689	63,832	16,480
Total general revenues and transfers					84,429,459	393,340	84,822,799	42,574,509	54,253
Change in net position					11,516,614	1,692,198	13,208,812	2,176,359	(198,658)
NET POSITION AT JULY 1, AS RESTATED (Note 24)					95,310,186	27,901,627	123,211,813	(36,019,160)	1,813,565
NET POSITION AT JUNE 30					\$ 106,826,800	\$ 29,593,825	\$ 136,420,625	\$ (33,842,801)	\$ 1,614,907

The Notes to Financial Statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

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CITY OF FALLS CHURCH, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	<u>General</u>	<u>Capital Projects</u>	<u>Special Transportation</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
ASSETS					
Cash and investments	\$ 37,406,344	\$ 1,980,302	\$ 2,875,586	\$ 386,256	\$ 42,648,488
Receivables, net	7,764,094	-	-	288,894	8,052,988
Due from other funds	2,121,832	-	-	104,804	2,226,636
Due from component unit	-	232,007	-	-	232,007
Due from other governments	2,382,027	30,824	1,204,832	-	3,617,683
Prepays	43,548	-	-	-	43,548
Inventories	124,828	-	-	-	124,828
Restricted cash and cash equivalents	236,926	25,871,514	113,493	-	26,221,933
Total assets	<u>\$ 50,079,599</u>	<u>\$ 28,114,647</u>	<u>\$ 4,193,911</u>	<u>\$ 779,954</u>	<u>\$ 83,168,111</u>
LIABILITIES					
Accounts payable and other liabilities	\$ 2,690,982	\$ 6,360,468	\$ 1,802,808	\$ 72,526	\$ 10,926,784
Customer deposits	1,486,386	-	-	-	1,486,386
Due to component units	4,873,048	-	-	-	4,873,048
Due to other governments	28,561	-	-	-	28,561
Total liabilities	<u>9,078,977</u>	<u>6,360,468</u>	<u>1,802,808</u>	<u>72,526</u>	<u>17,314,779</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable/unearned revenue	6,795,451	74,722	10,000	283,001	7,163,174
Total deferred inflows of resources	<u>6,795,451</u>	<u>74,722</u>	<u>10,000</u>	<u>283,001</u>	<u>7,163,174</u>
FUND BALANCES					
Fund balances (Note 25):					
Nonspendable	168,376	-	-	-	168,376
Restricted	326,466	21,679,457	53,983	-	22,059,906
Committed	12,361,699	-	2,327,120	424,427	15,113,246
Assigned	5,073,794	-	-	-	5,073,794
Unassigned	16,274,836	-	-	-	16,274,836
Total fund balances	<u>34,205,171</u>	<u>21,679,457</u>	<u>2,381,103</u>	<u>424,427</u>	<u>58,690,158</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 50,079,599</u>	<u>\$ 28,114,647</u>	<u>\$ 4,193,911</u>	<u>\$ 779,954</u>	<u>\$ 83,168,111</u>

CITY OF FALLS CHURCH, VIRGINIA

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2019**

Total Fund Balance		\$ 58,690,158
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources, and, therefore, are not reported in the funds.		
Nondepreciable	\$ 26,239,921	
Depreciable, net	<u>98,801,205</u>	
		125,041,126
Long-term payables, such as due from other governments, are not current financial resources and therefore certain amounts are not reported in the governmental funds.		(311,413)
Certain receivables are not available to pay for current-period expenditures and therefore are deferred in the funds		1,277,446
Financial statement elements related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows related to pensions	1,140,561	
Deferred outflows related to OPEB	708,757	
Deferred inflows related to pensions	(8,236,431)	
Deferred inflows related to OPEB	(912,617)	
Net pension asset - all plans	18,976,468	
Net OPEB liability - all plans	<u>(1,720,833)</u>	
		9,955,905
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Bonds payable, including unamortized deferred amounts	(61,859,233)	
Bond anticipation note	(20,000,000)	
Premium and discounts, net of accumulated amortization	(3,032,273)	
Deferred amount on refunding, net of accumulated amortization	169,203	
Capital leases	(7,808)	
Compensated absences	<u>(2,122,599)</u>	
		(86,852,710)
Interest on long-term liabilities is not accrued in governmental funds, but is recognized as an expenditure when due.		<u>(973,712)</u>
Total Net Position - Governmental Activities		<u><u>\$ 106,826,800</u></u>

CITY OF FALLS CHURCH, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2019

	<u>General</u>	<u>Capital Projects</u>	<u>Special Transportation</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
REVENUES					
General property taxes	\$ 62,075,834	\$ -	\$ -	\$ -	\$ 62,075,834
Other local taxes	17,712,885	-	861,823	-	18,574,708
Permits, privilege fees, and regulatory licenses	2,011,442	-	-	-	2,011,442
Fines and forfeitures	716,683	-	-	-	716,683
Use of money and property	1,418,488	-	1,690	13,463	1,433,641
Charges for services	3,643,258	-	-	-	3,643,258
Miscellaneous	78,752	-	-	-	78,752
Gifts and contributions	42,084	232,007	-	10,000	284,091
Voluntary concessions	-	296,817	-	-	296,817
Recovered costs	318,002	-	-	-	318,002
Intergovernmental					
Commonwealth	4,424,577	15,462	668,613	-	5,108,652
Federal	340,731	127,317	1,214,577	-	1,682,625
Total revenues	<u>92,782,736</u>	<u>671,603</u>	<u>2,746,703</u>	<u>23,463</u>	<u>96,224,505</u>
EXPENDITURES					
Current:					
General government	6,876,410	-	-	291,002	7,167,412
Judicial administration	2,044,550	-	-	-	2,044,550
Public safety	10,876,004	-	-	-	10,876,004
Public works	5,609,696	-	-	-	5,609,696
Health and welfare	2,420,572	-	-	-	2,420,572
Parks, recreation, and cultural	4,879,430	-	-	-	4,879,430
Community development	4,146,368	-	-	-	4,146,368
Economic development	328,600	-	-	-	328,600
Education	42,351,898	-	-	-	42,351,898
Capital outlay	-	26,663,979	2,101,600	-	28,765,579
Debt service:					
Principal retirement	6,205,522	-	-	-	6,205,522
Interest and fiscal charges	2,061,436	-	-	-	2,061,436
Total expenditures	<u>87,800,486</u>	<u>26,663,979</u>	<u>2,101,600</u>	<u>291,002</u>	<u>116,857,067</u>
Excess (deficiency) of revenues over expenditures	<u>4,982,250</u>	<u>(25,992,376)</u>	<u>645,103</u>	<u>(267,539)</u>	<u>(20,632,562)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from debt issuance	-	20,000,000	-	-	20,000,000
Proceeds from sale of capital assets	235,000	-	-	-	235,000
Transfers in	1,317,284	1,850,000	340,000	323,280	3,830,564
Transfers out	(3,563,280)	-	(1,317,284)	-	(4,880,564)
Total other financing sources (uses)	<u>(2,010,996)</u>	<u>21,850,000</u>	<u>(977,284)</u>	<u>323,280</u>	<u>19,185,000</u>
Net change in fund balance	2,971,254	(4,142,376)	(332,181)	55,741	(1,447,562)
FUND BALANCES AT JULY 1	<u>31,233,917</u>	<u>25,821,833</u>	<u>2,713,284</u>	<u>368,686</u>	<u>60,137,720</u>
FUND BALANCES AT JUNE 30	<u>\$ 34,205,171</u>	<u>\$ 21,679,457</u>	<u>\$ 2,381,103</u>	<u>\$ 424,427</u>	<u>\$ 58,690,158</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF FALLS CHURCH, VIRGINIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2019**

Net Change in Fund Balance - Governmental Funds \$ (1,447,562)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; however, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays	\$ 29,153,192	
Depreciation expense	<u>(4,226,117)</u>	24,927,075

In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the cost of the property sold.

(84,105)

Revenues in the funds that do not provide current financial resources are not reported as revenues in the Statement of Activities.

Debt proceeds	(20,000,000)	
Change in deferred inflow of resources	<u>(366,037)</u>	(20,366,037)

Governmental funds report employer pension and OPEB contributions as expenditures. However, in the statement of activities the cost of pension and OPEB benefits earned net of employee contributions is reported as pension and OPEB expense.

Employer pension contributions	374,339	
Employer OPEB contributions	415,008	
Pension expense	1,671,252	
OPEB expense	<u>(144,133)</u>	2,316,466

The repayment of the principal of long-term debt consumes current financial resources of governmental funds. However, the transaction has no effect on net position.

6,205,522

Some expenses reported in the Statement of Activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in compensated absences		70,934
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Governmental funds report the effect of bond issuance costs, premiums and discounts when debt is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of those differences is as follows:

Amortization of discounts and premiums	242,568	
Amortization of gain/loss from refundings	(77,388)	
Change in accrued interest payable	<u>(270,859)</u>	(105,679)

Change in Net Position - Governmental Activities \$ 11,516,614

CITY OF FALLS CHURCH, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND**

Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 61,998,200	\$ 61,998,200	\$ 62,075,834	\$ 77,634
Other local taxes	17,016,000	17,016,000	17,712,885	696,885
Permits, privilege fees, and regulatory licenses	1,410,626	1,410,626	2,011,442	600,816
Fines and forfeitures	625,000	625,000	716,683	91,683
Use of money and property	282,500	1,055,500	1,418,488	362,988
Charges for services	3,529,784	3,529,784	3,643,258	113,474
Miscellaneous	82,800	127,800	78,752	(49,048)
Gifts and contributions	20,400	52,400	42,084	(10,316)
Recovered costs	276,700	306,700	318,002	11,302
Intergovernmental				
Commonwealth	4,077,953	4,435,539	4,424,577	(10,962)
Federal	308,037	340,789	340,731	(58)
Total revenues	<u>89,628,000</u>	<u>90,898,338</u>	<u>92,782,736</u>	<u>1,884,398</u>
EXPENDITURES				
Current:				
General government	6,903,040	6,954,842	6,876,410	78,432
Judicial administration	2,143,472	2,272,158	2,044,550	227,608
Public safety	11,191,083	10,930,403	10,876,004	54,399
Public works	5,646,514	6,654,996	5,609,696	1,045,300
Health and welfare	2,368,105	2,432,443	2,420,572	11,871
Parks, recreation, and cultural	4,898,172	5,036,180	4,879,430	156,750
Community development	3,737,383	4,470,839	4,146,368	324,471
Economic development	314,966	307,248	328,600	(21,352)
Education	42,351,898	42,351,898	42,351,898	-
Reserve for capital	1,240,000	1,390,000	-	1,390,000
Debt service:				
Principal retirement	5,940,000	5,940,000	6,205,522	(265,522)
Interest and fiscal charges	3,258,000	3,108,000	2,061,436	1,046,564
Total expenditures	<u>89,992,633</u>	<u>91,849,007</u>	<u>87,800,486</u>	<u>4,048,521</u>
Excess (deficiency) of revenues over expenditures	<u>(364,633)</u>	<u>(950,669)</u>	<u>4,982,250</u>	<u>5,932,919</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from debt issuance	959,000	959,000	-	(959,000)
Proceeds from sale of capital assets	-	235,000	235,000	-
Transfers in	1,061,500	1,317,284	1,317,284	-
Transfers out	(1,977,604)	(3,605,775)	(3,563,280)	42,495
Total other financing sources (uses)	<u>42,896</u>	<u>(1,094,491)</u>	<u>(2,010,996)</u>	<u>(916,505)</u>
Net change in fund balance	<u>\$ (321,737)</u>	<u>\$ (2,045,160)</u>	<u>\$ 2,971,254</u>	<u>\$ 5,016,414</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF FALLS CHURCH, VIRGINIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019

	Business-Type Activities – Enterprise Funds		
	Sanitary Sewer	Storm Water	Totals
ASSETS			
Current assets:			
Cash and investments	\$ 12,105,015	\$ 2,776,347	\$ 14,881,362
Receivables, net	830,145	47,324	877,469
Due from other governments	85,830	-	85,830
Inventories	12,469	6,067	18,536
Restricted cash and cash equivalents	777,923	1,914	779,837
Total current assets	13,811,382	2,831,652	16,643,034
Noncurrent assets:			
Net pension asset	341,234	353,811	695,045
Capital assets, net	21,231,297	5,363,562	26,594,859
Total noncurrent assets	21,572,531	5,717,373	27,289,904
Total assets	35,383,913	8,549,025	43,932,938
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	29,184	79,805	108,989
Deferred outflows related to OPEB	9,552	8,173	17,725
Deferred amount on refunding, net	125,033	-	125,033
Total deferred outflows of resources	163,769	87,978	251,747
LIABILITIES			
Current liabilities:			
Accounts payable and other liabilities	542,367	59,024	601,391
Accrued interest	107,616	29,368	136,984
Due to other funds	140,401	337,045	477,446
Compensated absences, current	24,147	31,230	55,377
Debt, current	1,022,734	107,478	1,130,212
Total current liabilities	1,837,265	564,145	2,401,410
Noncurrent liabilities:			
Net OPEB liability	15,564	15,780	31,344
Compensated absences	24,065	11,125	35,190
Debt	10,070,874	1,703,362	11,774,236
Total noncurrent liabilities	10,110,503	1,730,267	11,840,770
Total liabilities	11,947,768	2,294,412	14,242,180
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	153,880	155,816	309,696
Deferred inflows related to OPEB	19,358	19,626	38,984
Total deferred inflows of resources	173,238	175,442	348,680
NET POSITION			
Net investment in capital assets	11,095,528	3,579,092	14,674,620
Restricted for pension and OPEB	191,168	250,567	441,735
Unrestricted	12,139,980	2,337,490	14,477,470
Total net position	\$ 23,426,676	\$ 6,167,149	\$ 29,593,825

The Notes to Financial Statements are an integral part of this statement.

CITY OF FALLS CHURCH, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2019

	Business-Type Activities – Enterprise Funds		
	Sanitary Sewer	Storm Water	Totals
OPERATING REVENUES			
Charges for fees and services	\$ 4,258,604	\$ 1,594,293	\$ 5,852,897
Total operating revenues	4,258,604	1,594,293	5,852,897
OPERATING EXPENSES			
Collection, conveyance, and disposal	1,511,841	499,150	2,010,991
Administration	448,559	567,213	1,015,772
Depreciation and amortization	1,031,196	292,530	1,323,726
Total operating expenses	2,991,596	1,358,893	4,350,489
Operating income	1,267,008	235,400	1,502,408
NONOPERATING REVENUES (EXPENSES)			
Availability fees	118,420	-	118,420
Interest and investment revenue	337,548	55,792	393,340
Interest expense	(266,507)	(55,463)	(321,970)
Net nonoperating revenues	189,461	329	189,790
Change in net position	1,456,469	235,729	1,692,198
NET POSITION AT JULY 1, AS RESTATED (Note 24)	21,970,207	5,931,420	27,901,627
NET POSITION AT JUNE 30	<u>\$ 23,426,676</u>	<u>\$ 6,167,149</u>	<u>\$ 29,593,825</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF FALLS CHURCH, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2019

	Business-type Activities – Enterprise Funds		
	Sanitary Sewer	Storm water	Totals
OPERATING ACTIVITIES			
Receipts from customers	\$ 4,355,515	\$ 1,576,214	\$ 5,931,729
Interfund reimbursements	(146,074)	(155,126)	(301,200)
Payments to suppliers	(1,392,877)	(419,075)	(1,811,952)
Payments to employees	(494,366)	(554,353)	(1,048,719)
Net cash provided by operating activities	<u>2,322,198</u>	<u>447,660</u>	<u>2,769,858</u>
NONCAPITAL FINANCING ACTIVITIES			
Interfund borrowing	140,401	337,045	477,446
Net cash provided by noncapital financing activities	<u>140,401</u>	<u>337,045</u>	<u>477,446</u>
CAPITAL AND RELATED FINANCING ACTIVITIES			
Availability fees	118,420	-	118,420
Purchases of capital assets	(1,664,793)	(325,827)	(1,990,620)
Proceeds from long-term debt	15,527	-	15,527
Principal paid on capital debt	(1,010,278)	(97,479)	(1,107,757)
Interest paid on capital debt	(282,648)	(59,891)	(342,539)
Net cash used in capital and related financing activities	<u>(2,823,772)</u>	<u>(483,197)</u>	<u>(3,306,969)</u>
INVESTING ACTIVITIES			
Interest and investment revenue	337,548	55,792	393,340
Net increase (decrease) in cash and cash equivalents	<u>(23,625)</u>	<u>357,300</u>	<u>333,675</u>
CASH AND CASH EQUIVALENTS JULY 1	<u>12,906,563</u>	<u>2,420,961</u>	<u>15,327,524</u>
CASH AND CASH EQUIVALENTS JUNE 30	<u><u>\$ 12,882,938</u></u>	<u><u>\$ 2,778,261</u></u>	<u><u>\$ 15,661,199</u></u>
RECONCILIATION TO EXHIBIT 8			
Cash and investments	\$ 12,105,015	\$ 2,776,347	\$ 14,881,362
Restricted cash and cash equivalents	777,923	1,914	779,837
Total	<u><u>\$ 12,882,938</u></u>	<u><u>\$ 2,778,261</u></u>	<u><u>\$ 15,661,199</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 1,267,008	\$ 235,400	\$ 1,502,408
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	1,031,196	292,530	1,323,726
Pension expense net of employer contributions	(49,201)	(25,674)	(74,875)
OPEB expense net of employer contributions	(3,376)	(14,969)	(18,345)
Change in assets and liabilities:			
(Increase) decrease in:			
Receivables, net	96,911	(18,079)	78,832
Increase (decrease) in:			
Accounts payable and other liabilities	(28,817)	(23,204)	(52,021)
Compensated absences	8,477	1,656	10,133
Net cash provided by operating activities	<u><u>\$ 2,322,198</u></u>	<u><u>\$ 447,660</u></u>	<u><u>\$ 2,769,858</u></u>
NONCASH INVESTING AND FINANCING ACTIVITIES:			
Capital asset purchases included in accounts payable	<u><u>\$ 346,901</u></u>	<u><u>\$ 10,592</u></u>	<u><u>\$ 357,493</u></u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF FALLS CHURCH, VIRGINIA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2019

	Post-Employment Trust Funds			
	Basic Pension Plan	Police Pension Plan	Local OPEB Plan	Agency Funds
ASSETS				
Cash and cash equivalents	\$ 5,898,542	\$ 1,735,070	\$ 87,516	\$ 5,002,242
Investments	107,119,085	34,573,202	15,468,960	-
Contributions receivable	117,808	-	-	-
Interest and dividends receivable	-	13,343	807	-
Receivables, net	-	-	-	845,466
Total assets	<u>113,135,435</u>	<u>36,321,615</u>	<u>15,557,283</u>	<u>5,847,708</u>
LIABILITIES				
Accounts payable	105,444	33,074	4,015	-
Due to general fund	364,754	115,732	1,422,407	55,680
Amounts held for others	-	-	-	5,792,028
Total liabilities	<u>470,198</u>	<u>148,806</u>	<u>1,426,422</u>	<u>5,847,708</u>
NET POSITION				
Held in trust for:				
Pension benefits	112,665,237	36,172,809	-	-
Other post-employment benefits	-	-	14,130,861	-
Total net position restricted for post-employment benefits	<u>\$ 112,665,237</u>	<u>\$ 36,172,809</u>	<u>\$ 14,130,861</u>	<u>\$ -</u>

CITY OF FALLS CHURCH, VIRGINIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
POST-EMPLOYMENT TRUST FUNDS

Year Ended June 30, 2019

	Basic Pension Plan	Police Pension Plan	Local OPEB Plan
ADDITIONS			
Employer contributions	\$ 251,480	\$ 309,263	\$ 486,366
Employee contributions	773,972	198,404	-
Investment earnings:			
Interest	31,727	37,164	2,070
Dividends	1,320,146	407,277	315,814
Net increase in fair value of investments	6,329,865	2,022,972	609,875
Total investment earnings	7,681,738	2,467,413	927,759
Less investment expenses	(477,235)	(134,802)	(9,795)
Net investment earnings	7,204,503	2,332,611	917,964
Total additions	8,229,955	2,840,278	1,404,330
DEDUCTIONS			
Benefits	5,359,765	1,140,085	471,788
Administration	42,261	29,535	27,710
Total deductions	5,402,026	1,169,620	499,498
Change in net position	2,827,929	1,670,658	904,832
NET POSITION AT JULY 1	109,837,308	34,502,151	13,226,029
NET POSITION AT JUNE 30	<u>\$ 112,665,237</u>	<u>\$ 36,172,809</u>	<u>\$ 14,130,861</u>

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The City of Falls Church, Virginia (the “City”) incorporated as an independent city in 1948 under laws of the Commonwealth of Virginia. The City operates under a Council-Manager form of government and provides municipal services such as general administration, police, fire, street maintenance, sanitation, health and social services, recreation, library, planning and community development. Those services are provided either directly by the City or through contracts with the Counties of Arlington and Fairfax, Virginia. Through the City of Falls Church School Board, the City provides elementary and secondary education to residents.

The accompanying financial statements present the City and its component units.

Discretely presented component units are legally separate entities for which the elected officials of the primary government are financially accountable, the entity’s governing body is not substantially the same as that of the primary government, and the entities do not provide services solely to or for the benefit of the primary government. They are reported in separate columns to emphasize they are legally separate from the primary government. The following organizations are reported as discretely presented component units and neither publish their own financial reports.

The City of Falls Church Public School Board (the “School Board”) is responsible for elementary and secondary education within the City’s jurisdiction. The members of the School Board are elected. The School Board is fiscally dependent upon the City because City Council approves the School Board’s budget and provides a substantial portion of the School Board’s funds for operations, and issues all debt.

The Falls Church Economic Development Authority (the “EDA”) was created by City Council to promote economic development within the City. The City Council appoints all members of the EDA board. The EDA is fiscally accountable to the Council and the City is potentially liable for any operating deficits. The Council must approve all EDA debt issuances.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Likewise, the primary government is reported separately from its component units.

CITY OF FALLS CHURCH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements (Continued)

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The emphasis of these financial statements is on major governmental and enterprise funds, which are presented in separate columns. All remaining governmental funds are aggregated and reported in one column as nonmajor funds.

Major Governmental Funds: The General Fund is the City's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund. The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the proprietary funds). The Special Transportation fund is used to account for transportation taxes received through the Northern Virginia Transportation Authority and transportation grants received mainly from the Virginia Department of Transportation and expenditures and other uses related to these funds.

Proprietary Funds: The Sanitary Sewer Fund and Storm Water Fund are used to account for the financing, construction, and operations of the City's sanitary sewer and storm water systems.

Non Major Special Revenue Funds: The City has two non-major special revenue funds, the Affordable Housing Unit Fund and the Falls Church Community Television Fund. The Affordable Housing Unit Fund was originally established with a commitment from City Council. The fund has since received contributions from developers for affordable housing initiatives. The City expects to continue to receive contributions from developers and other entities to this fund. The Falls Church Community Television Fund was originally established with a commitment from City Council, the School Board and the public to deliver programming via cable channels, YouTube video uploads, and public broadcasting and online streaming of City Council, School Board, Planning Commission and other public meetings. The fund is supported by local taxes and grants from the General Fund.

The City also reports the following fiduciary funds:

Post-Employment Trust Funds: These funds are used to account for the activities of the City's two defined benefit pension plans, the Basic Pension Plan and the Police Pension Plan, which cover all regular and police employees of the City, respectively, as well as the City's and School Board's other post-employment benefit trust funds, which provides for health and life insurance coverage for the City's and School Board's retirees.

Agency Funds: These funds account for assets held in an agency capacity for the Fairfax County Water Authority and the Northern Virginia Criminal Justice Academy. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of operations.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except that the fiduciary fund financial statements for the agency funds do not have a measurement focus. Under the economic resources measurement focus and the accrual basis of accounting, revenues are generally recognized when earned and expenses are recognized at the time a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been satisfied.

Amounts reported as program revenues in the government-wide financial statements include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes. The City charges all costs except interest on long-term obligations and depreciation to the appropriate function at the time such costs are incurred. Depreciation has been allocated to each function. Interest on long-term obligations is shown as a separate line item in the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sanitary sewer and storm water funds are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition, including availability fees charged to new customers, are reported as nonoperating revenues and expenses.

For the post-employment trust funds, both member and employer contributions to each plan are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's sanitary sewer and storm water functions and various other functions of the government. Elimination of these charges would distort the costs and program revenues reported for the various functions concerned.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues from the use of money and from intergovernmental reimbursement grants are recorded as earned. Other revenues are considered to be available if they are collectible within 60 days after year end. The primary revenues susceptible to accrual include property taxes, business licenses, and other local taxes and intergovernmental revenues. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recognized only when payment is due. General capital asset acquisitions are reported as capital outlays in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity

Deposits and Investments

The City's cash and investments other than amounts held in fiduciary funds include certificates of deposit, Local Government Investment Pool assets, overnight repurchase agreements, short-term U.S. Government obligations and other highly liquid investments which are readily convertible to known amounts of cash and mature within three months of the date acquired by the City.

Fair Value Measurements

The government categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Receivables and Payables

Activities within the funds that are representative of lending/borrowing arrangements are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide statement of net assets as "internal balances."

All trade and property tax receivables, including those for the sanitary sewer and storm water funds, are shown net of an allowance for estimated uncollectible amounts. The allowance is calculated using historical collection data and, in certain cases, specific account analysis.

Accounts payable and accrued liabilities include amounts due to vendors and employees for goods and services received as of year-end.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Inventories and Prepaids

Inventories are valued at the lower of cost (using the first in, first out method) or market and are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaids.

Real Estate and Business Personal Property Taxes

The City bills real estate taxes on a fiscal year. Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable on June 6 and December 5. The City bills and collects its own taxes. Real estate and business-related personal property taxes are levied each fiscal year on all taxable property located in the City, and are accounted for in the General Fund. Therefore, real estate and business-related personal property taxes that are due within the current fiscal year and collected within 60 days subsequent to year-end are recorded as revenue. The real estate tax rate for fiscal year 2019 was \$1.355, per \$100 of assessed value.

Personal Property Taxes

The City levies personal property taxes on motor vehicles and other personal property. These levies are assessed on a calendar year basis as of January 1. Personal property taxes are due on October 5 and are considered delinquent if not received by the due date. On January 1, personal property taxes become an enforceable lien on related property. The tax rate for calendar year 2019 was \$5.00 per \$100 of assessed value. Under the provisions of the Personal Property Tax Relief Act of 1998 (PPTRA), the City received approximately \$2.02 million for the State's share of the local personal property tax payment with the remainder collected by the City.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the Statement of Net Position. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

	<u>Years</u>
Infrastructure	20-50
Sanitary sewer system	20-50
Purchased capacity	20-40
Buildings	50
Improvements other than buildings	10-20
Machinery and equipment	5-20
Library collections	5
Intangibles (software)	3

Deferred Outflows/Inflows of Resources

In addition to assets, the statements which present financial position report a separate section for deferred outflows of resources which represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements which present financial position report a separate section for deferred inflows of resources which represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

The City has the following items that qualify for reporting as deferred inflows or outflows:

- Deferred loss on refunding. A deferred loss on refunding is a deferred outflow which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Contributions subsequent to the measurement date for pensions and OPEB are always a deferred outflow; this will be applied to the net pension or OPEB liability in the next fiscal year.
- Differences between expected and actual experience for economic/demographic factors in the measurement of the total pension or OPEB liability. This difference will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.
- Difference between projected and actual earnings on pension and OPEB plan investments. This difference will be recognized in pension or OPEB expense over the closed five year period and may be reported as a deferred outflow or inflow as appropriate.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Deferred Outflows/Inflows of Resources (Continued)

- Changes of assumptions. This difference will be recognized in pension or OPEB expense over the closed five year period and may be reported as a deferred outflow or inflow as appropriate.
- Changes in proportion. This difference will be recognized in pension or OPEB expense over the closed five year period and may be reported as a deferred outflow or inflow as appropriate.
- The difference between each employer's actual contributions for pension. This difference will be recognized over the average expected remaining service life of all active and inactive members of the plan.
- Unavailable revenue occurs only under the modified accrual basis of accounting and is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes and other receivables not collected within 60 days of year end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Unearned revenue results from collections of taxes for future years. This results when amounts have been collected from the customers and costs have not yet been incurred by the City.

Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring all financial statement elements related to VRS administered pension and OPEB plans, information about the fiduciary net position of the City's Plans and the additions to/deductions from the City's Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The City administers their own pension and other post-employment benefit plans. Information about the fiduciary net position and the additions to/deductions from the plan's net fiduciary position have been determined by the City's actuary. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences

All reporting entity employees earn annual leave and sick leave based on a prescribed formula. In addition, employees may accrue compensatory leave for hours worked in excess of their scheduled hours. Upon termination of employment, permanent City employees are entitled to payment of 100% of unused annual leave, generally 25% of unused sick leave, and all of their compensatory leave not to exceed 40 hours for certain employees or 100 hours for other employees. School Board employees are paid up to 40 days of their annual leave and all sick leave at the rate of \$3.75 per hour.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Compensated Absences (Continued)

All compensated absences currently payable are accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Termination Benefits

The School Board makes payments to eligible employees upon retirement equal to 100% of the average of the three highest years of salaries earned by the employee. The payment is paid monthly in up to 60 equal installments. If the retiree dies during the benefit period, the payments cease. In 2003, the School Board adopted a “sunset” provision for this benefit which restricted eligibility to employees who had already met eligibility requirements by July 1, 2002.

The liability for this benefit is estimated using the eligible employees’ last salary as of June 30, including employer social security and medicare taxes and was approximately \$1.2 million as of June 30. This liability is liquidated by the School Operating Fund.

Long-term Obligations

In the government-wide financial statements, and for proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face value of the debt issued plus premium is reported as other financing sources. Discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

- **Nonspendable** - Amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.
- **Restricted** – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed** – Amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council through adoption of a resolution. Only City Council may modify or rescind the commitment.
- **Assigned** - Amounts the City intends to use for a specified purpose; intent can be expressed by City Council or by the City Manager or Finance Director, who has been designated this Authority.
- **Unassigned** – Amounts that are available for any purpose; positive amounts are reported only in the General Fund.

Restricted Amounts

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Minimum Fund Balance Policy

The General Fund reserve target is 17%, but not less than 12%, of current year expenditures. In the event that the unassigned fund balance is used for unforeseen emergency needs, the City shall restore the unassigned fund balance to 12% within two fiscal years. To the extent additional funds are necessary to restore the Unassigned Fund Balance to 17%; such funds shall be accumulated in no more than three approximately equal contributions each fiscal year. This provides for full recovery of the targeted fund balance amount within five years.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Significant encumbrances as of June 30, total approximately \$1.3 million in the general fund.

Net Position

Net investment in capital assets, consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

School Board Debt/Capital Asset Reporting

The City issues debt to finance the construction of school facilities because the School Board does not have borrowing or taxing authority. The City reports this debt in its financial statements. The capital assets acquired by such debt are reported by the City until such time as the outstanding indebtedness is retired, at which time, the net book value is transferred to and reported by the School Board.

Note 2. Intergovernmental Agreements

The City has agreements with several governmental units to provide certain governmental services to the City. They are detailed below:

County of Fairfax

The City, the County of Fairfax (“Fairfax”), and the City of Fairfax comprise the Fairfax-Falls Church Community Services Board (CSB), established under State mandate in 1969, to provide mental health, mental retardation and drug and alcohol abuse treatment services to residents of the three jurisdictions. The CSB uses Fairfax as its fiscal agent. During 2019, the City paid the CSB approximately \$840 thousand.

The City makes payments for the full cost of the local portion of public assistance payments and for the use of special County health and recreation facilities by City residents. During 2019, the City paid approximately \$249 thousand for these services.

The City uses Fairfax’s landfills for waste disposal and charges are based on tipping fees. During 2019, the City paid approximately \$133 thousand for these services.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 2. Intergovernmental Agreements (Continued)

The City has an agreement with Fairfax to share in the cost of its sewage treatment facilities. During 2019, the City paid approximately \$714 thousand for sewage treatment costs. In 2008, another upgrade was commenced at the Alexandria Sanitation Treatment Plant. The City paid approximately \$331 thousand in 2019 for its share of the costs of the upgrade. All amounts relating to the City's share of these capital costs are recorded as capital assets in the Sanitary Sewer Fund.

The City has an agreement with Fairfax to replace the natural turf at Larry Graves Park with synthetic turf for \$999 thousand. During 2019, the City paid final \$869 thousand toward the agreement. Unspent funds will be returned to the City. Thereafter, the City will pay a portion of maintenance costs. This allows the City to use the field. Term is the useful life of the synthetic turf.

County of Arlington

The City contracts its fire and rescue, jail, E-911, radio bandwidth, and certain judicial services, to Arlington County, Virginia ("Arlington"). During 2019, the City paid Arlington approximately \$2.3 million for fire and rescue services, \$242 thousand for jail services, \$369 thousand for E-911 and radio bandwidth services, and \$702 thousand for judicial services.

The City also receives payment from Arlington for its share of the cost of operating a girls' home facility. Payments received during 2019 amounted to approximately \$873 thousand.

The City has an agreement with Arlington to share in the cost of its sewage treatment facilities. During 2019, the City paid Arlington approximately \$317 thousand for operating costs.

Fairfax Water

Fairfax Water performs sanitary sewer billing and collection services. During 2019, Fairfax Water billed \$4.05 million in sanitary sewer fees and remitted \$4.11 million to the City. The City paid Fairfax Water \$101 thousand for these services.

City of Fairfax

During 2018, the City entered into an agreement to replace the City of Fairfax's Fire Arms Range. The City will pay the City of Fairfax \$1.2 million in capital funds (payable in 2 annual installments with first one beginning August 2017) and thereafter pay a portion of the maintenance cost in exchange for the use of the facilities. The agreement is effective until terminated or amended. During 2019, the City paid the second installment of \$600 thousand.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 2. Intergovernmental Agreements (Continued)

Northern Virginia Criminal Justice Training Academy (NVCJA)

Along with other local jurisdictions, the City entered into an agreement to assist in financing NVCJA which was established to provide training to local law enforcement officers. The City appoints members of the governing body of NVCJA, however, it does not retain an ongoing financial interest. During 2019, the City paid NVCJA approximately \$46 thousand for its share of operating and debt service costs.

Joint Ventures

Northern Virginia Transportation Commission (NVTC)

The NVTC is a joint venture with the cities of Alexandria, Fairfax, and Falls Church and the counties of Arlington, Fairfax, and Loudoun. It was established to improve the transportation systems composed of transit facilities, public highways, and other modes of transportation. The Commonwealth of Virginia has authorized a 2.1% fuel tax to be used for transportation systems through NVTC. While each jurisdiction effectively controls NVTC's use of motor fuel tax proceeds from that jurisdiction, they do not have an explicit measurable equity interest in NVTC.

Northern Virginia Transportation Authority (NVTa)

The NVTa is a joint venture with the cities of Alexandria, Fairfax, Manassas, Manassas Park, and Falls Church and the counties of Arlington, Fairfax, Loudoun, and Prince William. The Authority is responsible for long-range transportation planning for regional transportation projects in Northern Virginia and sets regional transportation policies and priorities for regional transportation projects. While the jurisdictions have representatives as members of the governing body of the Authority, the jurisdictions do not have an explicit measurable equity interest in NVTa. Beginning in 2014, House Bill 2313 gave the Authority responsibility over the collection and distribution of certain dedicated taxes for transportation including 1% additional sales tax, 2% additional transient and occupancy tax and 1.5% additional grantor's tax. By law, 30% of these additional revenues are distributed to the jurisdictions provided they implement the commercial and industrial tax of 12.5 cents, or dedicate some other funds towards transportation. The other 70% will be used towards regional transportation projects approved by the Authority and implemented by the jurisdictions. In 2019, the City received approximately \$856 thousand of these taxes.

Washington Metropolitan Area Transit Authority (WMATA)

The City participates in a joint venture with other local jurisdictions to share in the cost of a regional transportation system but does not maintain an equity interest in WMATA. The City is required to make certain contributions annually to WMATA pursuant to the Interjurisdictional Funding Agreement for Bus Service and the Fifth Interim Capital Contributions Agreement, which were executed in fiscal years 1999 and 1992, respectively. During 2019, the City's required contributions amounted to approximately \$3.9 million. The City received \$1.7 million from the Virginia Department of Rail and Public Transportation to pay for this obligation. The remaining \$2.3 million came from tax revenue and other sources. Complete financial statements of WMATA may be obtained at 600 5th Street, NW, Washington, DC 20001.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 3. Stewardship, Compliance, and Accountability

Budgetary Information

Formal budgetary integration is employed as a management control device during the year. Budgets for all governmental funds of the primary government and component units are adopted by the City Council on an annual basis consistent with GAAP with the exception of Capital Projects and Special Transportation Funds. The Council adopts project length budgets for these funds. The following procedures are used by the City in establishing the budgetary data reflected in the financial statements:

1. On a date fixed by the Council, the City Manager submits to Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Ordinance. Appropriated annual budgets are adopted for the General, Special Revenue, and Capital Projects Funds of the primary government and School Board. If for any reason, the Council fails to adopt the appropriation ordinance prior to July 1, the previous fiscal year's budget remains in effect on a month-to-month basis until the Council adopts the budgets.
4. The Appropriations Ordinance is adopted at the fund and department level. The appropriation for each department can be revised through resolution by the Council. The City Manager is authorized to transfer unencumbered balances within departments only.
5. Unencumbered appropriations lapse on June 30 except for those of the Capital Projects Fund, which are carried into the following year on a continuing appropriation basis unless there have been no expenditures in the project for the last three fiscal years. Encumbrance accounting is employed in governmental funds and proprietary funds. Encumbrances outstanding at year end are reported as assignments of fund balances unless they are already restricted or committed, and do not constitute expenditures or liabilities because the expenses have not yet been incurred; rather, the commitments are automatically reappropriated and honored during the subsequent year.
6. Original and final budgeted amounts are shown. The City required budget amendments during the year, representing a net increase of approximately \$1.6 million in the general fund.

Note 4. Deposits and Investments

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") section 2.2-4400 et. seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 4. Deposits and Investments (Continued)

Investments

Investment Policy - In accordance with the Code of Virginia and other applicable law, including regulations, the City's investment policy permits investments in U.S. Government obligations, obligations of the Commonwealth of Virginia or political subdivisions thereof, prime quality commercial paper, and certain corporate notes, bankers acceptances, repurchase agreements, negotiable certificates of deposit, bank deposit notes, mutual funds that invest exclusively in securities specifically permitted under the Policy, the State Treasurer's State Non-Arbitrage Program (SNAP, a pooled investment fund), the State Treasurer's Local Government Investment Pool (the Virginia LGIP), the Virginia Investment Pool (VIP), and the Virginia Municipal League's Stable Net Asset Value pool. These funds are not registered with the SEC but are overseen by the Treasurer of Virginia and the State Treasury Board. The carrying value of the City's position in the pools is the same as the value of the pool shares and is reported within the guidelines of GASB Statement 79..

The City's investments are subject to credit risk, concentration of credit risk, interest rate risk, and custodial risk as described below. The City's investments are not subject to foreign currency risk.

Credit Risk:

As required by state statute, the Policy requires that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following: Moody's Investors Service, Standard & Poor's, and Fitch Investors Service, provided that the issuing corporation has a net worth of at least \$50 million and its long term debt is rated "A" or better by Moody's and Standard & Poor's. Banker's acceptances and Certificates of Deposit maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investors Service.

Although State Statute does not impose credit standards on repurchase agreement counterparties, bankers' acceptances or money market mutual funds, the City has established stringent credit standards for these investments to minimize portfolio risk.

As of June 30, 12% of the portfolio was invested in SNAP and 88% in the Virginia Municipal League Investment Pool (VML).

Concentration of Credit Risk:

The Policy establishes limitations on portfolio composition by issuer in order to control concentration of credit risk. No more than 5% of the portfolio will be invested in the commercial paper of any single issuer. The Policy establishes limitations on the holdings on non-U.S. Government obligations. The maximum percentage of the portfolio (book value at the date of acquisition) permitted for commercial paper is 35% of the portfolio.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 4. Deposits and Investments (Continued)

Investments (Continued)

Interest Rate Risk:

As a means of limiting exposure to fair value losses arising from rising interest rates, the Policy limits the investment of operating funds to investments with a stated maturity of no more than 1 year from the date of purchase, with no more than 10% with maturities of more than six months from date of purchase. Reserve funds for the Sanitary Sewer and Storm Water Funds may be invested in securities with longer maturities and proceeds from the sale of bonds must be invested in SNAP to manage arbitrage requirements.

Custodial Credit Risk:

The Policy requires that all investment securities purchased by the City be held by the City or by a third-party custodial agent who may not otherwise be counterparty to the investment transaction. As of June 30, all of the City's investments are held in a bank's trust department in the City's name.

The City's investments consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>S & P Credit Rating</u>
Primary Government:		
SNAP	\$ 6,997,934	AAAm
VML	<u>52,574,327</u>	AAf
Primary government investments	<u>59,572,261</u>	
Component Unit – School Board:		
LGIP	3,948,082	AAAm
Component Unit – EDA:		
LGIP	<u>2,096,914</u>	AAAm
Component unit investments	<u>6,044,996</u>	
Total investments	<u>\$ 65,617,257</u>	

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 4. Deposits and Investments (Continued)

Investments (Continued)

Cash and investments consist of the following:

		Component Units	
	Primary Government	School Board	Economic Development Authority
Deposits and investments:			
Demand deposits	\$ 24,959,359	\$ 20,875	\$ -
LGIP	-	3,948,082	2,096,914
SNAP	6,997,934	-	-
VML	52,574,327	-	-
	<u>\$ 84,531,620</u>	<u>3,968,957</u>	<u>\$ 2,096,914</u>

Cash and investments are reflected in the financial statements as follows:

Statement of net position:			
Cash and investments	\$ 57,529,850	\$ 3,968,957	\$ 2,096,914
Restricted cash and cash equivalents	<u>27,001,770</u>	<u>-</u>	<u>-</u>
	<u>\$ 84,531,620</u>	<u>\$ 3,968,957</u>	<u>\$ 2,096,914</u>

Restricted cash and cash equivalents consist of unspent bond proceeds and customer deposits.

Post-Employment Trust Funds

As of June 30, the City's post-employment trust funds had the following cash, cash equivalents, and investments:

Investment Type	Fair Value
Money market funds	\$ 7,721,128
Domestic equities	88,072,867
Domestic fixed income	23,113,804
International equities	30,611,631
Real estate securities	6,669,449
Infrastructure	<u>8,693,496</u>
Total cash, cash equivalents, and investments	<u>\$ 164,882,375</u>

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 4. Deposits and Investments (Continued)

Post-Employment Trust Funds (Continued)

Pension Funds

Investment Policy:

In accordance with the Code of Virginia and other applicable law, including City Council resolutions, the Pension Fund's investment policy permits investments in domestic fixed income securities, domestic and international equities and real estate investment trusts. The authority and responsibility for the administration, management and operation of the City retirement plans are vested in the Retirement Board as described in the City Ordinance #1097. Investments of the Pension Fund are held by trustees.

Concentration of Credit Risk:

The Policy establishes limitations on portfolio composition by issuer and by investment type in order to control concentration of credit risk. It is the responsibility of the Retirement Board to rebalance the portfolio. The following table shows concentration of credit risk as allowed by the investment policy, and actual concentration as of June 30:

	<u>Minimum</u>	<u>Maximum</u>	<u>Actual</u>
Domestic equities	48%	62%	55%
International equities	15%	23%	20%
Domestic fixed income	12%	20%	14%
Real Estate	8%	12%	5%
Infrastructure	3%	7%	6%

Market Risk:

Investments of the pension fund are held for the long term and may be subject to short-term fluctuations in fair value due to market conditions and changes in interest rates. Foreign currency risk, a subset of market risk, is controlled by limiting exposure to international equities. The performance of specific investment types in the portfolio will periodically result in actual balances above or below the limitations set by policy.

Other Post-Employment Benefits (OPEB) Fund

Investment Policy:

In accordance with the Code of Virginia and other applicable law, including City Council resolutions, the OPEB Fund's investment policy permits investments in domestic fixed income securities, domestic and international equities and real estate investment trusts. The authority and responsibility for the administration, management and operation of the City OPEB trust fund is vested in the Pension Board as described in the City Ordinance #1903. Investments of the OPEB Fund are held by trustees.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 4. Deposits and Investments (Continued)

Post-Employment Trust Funds (Continued)

Other Post-Employment Benefits (OPEB) Fund (Continued)

Concentration of Credit Risk:

The Policy establishes limitations on portfolio composition by issuer and by investment type in order to control concentration of credit risk. It is the responsibility of the Finance Board to direct the funds manager to rebalance the portfolio. The following table shows concentration of credit risk as allowed by the investment policy, and actual concentration as of June 30:

	<u>Minimum</u>	<u>Maximum</u>	<u>Actual</u>
Domestic equities	49%	63%	62%
Domestic fixed income	18%	26%	20%
International equities	15%	23%	19%

Market Risk:

Investments of the OPEB fund are held for the long term and may be subject to short-term fluctuations in fair value due to market conditions and changes in interest rates. Foreign currency risk, a subset of market risk, is controlled for by limiting exposure to international equities. The performance of specific investment types in the portfolio will periodically result in actual balances above or below the limitations set by policy.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 4. Deposits and Investments (Continued)

Fair Value:

The City and Schools categorize its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City and Schools have the following recurring fair value measurements as of June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks/equity securities:				
Health Care	\$ 4,909,209	\$ -	\$ -	\$ 4,909,209
Financials	6,606,468	-	-	6,606,468
Industrial Goods	4,880,325	-	-	4,880,325
Basic Materials	4,528,147	-	-	4,528,147
Information Technology	7,646,975	-	-	7,646,975
Utilities	572,168	-	-	572,168
Consumer Goods	8,148,251	-	-	8,148,251
Real Estate	1,143,703	-	-	1,143,703
International (MFS)	16,691,400	11,147,379	-	27,838,779
Communication services	1,011,248	-	-	1,011,248
Energy	439,638	-	-	439,638
Fixed Income	18,857,066	-	1,171,084	20,028,150
Cash Equivalent	199	-	-	199
Money Market	1,796,712	-	-	1,796,712
Mutual funds	39,652,291	-	-	39,652,291
Real Estate	-	8,693,496	6,669,449	15,362,945
	<u>\$ 116,883,800</u>	<u>\$ 19,840,875</u>	<u>\$ 7,840,533</u>	<u>\$ 144,565,208</u>

Mutual funds and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Equity securities classified in Level 2 of the fair value hierarchy are valued using quoted prices for similar securities and interest rates. Level 3 investments use unobservable inputs for valuations of real estate and debt including pricing models and discounted cash flow models.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 4. Deposits and Investments (Continued)

Net Asset Value (NAV)

Certain investments that are measured at fair value using net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy per a provision of GASB Statement 72, *Fair Value Measurement and Application*. The following investments are valued at NAV:

Investment	Fair Value	Redemption Frequency	Redemption Notice Period
Northern Trust Collective Investments	\$ 18,857,066	Quarterly	30-60 days
MMLIC	1,460,907	N/A	N/A

Note 5. Receivables

Receivables are as follows:

	Governmental Activities	Business-type Activities	Total
Receivables:			
Accounts-Billed	\$ 1,519,367	\$ 385,967	\$ 1,905,334
Accounts-Unbilled	-	597,502	597,502
Other	841,864	-	841,864
Property taxes:			
Delinquent	1,273,121	-	1,273,121
Not yet due	5,817,727	-	5,817,727
Total receivables	<u>9,452,079</u>	<u>983,469</u>	<u>10,435,548</u>
Allowances for uncollectibles:			
Accounts receivable	(1,127,791)	(106,000)	(1,233,791)
Property taxes:			
Delinquent	(220,700)	-	(220,700)
Not yet due	(50,600)	-	(50,600)
Total allowances for uncollectibles	<u>(1,399,091)</u>	<u>(106,000)</u>	<u>(1,505,091)</u>
Total net receivables	<u>\$ 8,052,988</u>	<u>\$ 877,469</u>	<u>\$ 8,930,457</u>

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 6. Due from/to Other Governments

Amounts due from other governments are as follows:

	Governmental Activities	Business-type Activities	Component Unit – School Board
Commonwealth of Virginia			
State sales tax	\$ -	\$ -	\$ 413,903
Local sales tax	973,170	-	-
Communication tax	116,405	-	-
Transportation funds	421,294	-	-
Grants for capital projects	229,365	-	-
Total	<u>1,740,234</u>	<u>-</u>	<u>413,903</u>
Federal			
Grants for capital projects	601,977	-	-
Other federal funds	46,042	-	20,248
Total	<u>648,019</u>	<u>-</u>	<u>20,248</u>
Other governments			
Fairfax County	-	85,830	-
Arlington County:			
EMS	111,461	-	-
Girls' Home	873,492	-	-
Other	244,477	-	-
Total	<u>1,229,430</u>	<u>85,830</u>	<u>-</u>
Total due from other governments	<u>\$ 3,617,683</u>	<u>\$ 85,830</u>	<u>\$ 434,151</u>

Amounts due to other governments of \$28,561 in governmental activities consist of amounts owed to Arlington, the Department of Motor Vehicles and other governments. Long-term payables that are due to other governments, which are not reported in the general fund were \$311,413.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 7. Interfund Activity and Transfers

The City's cash receipt and disbursement transactions are initiated in the General Fund. Amounts applicable to the other funds are accounted for through interfund receivable and payable accounts. Interfund receivables and payables typically result when funds overdraw their share of the pooled cash and from interfund reimbursements for administrative costs. All amounts are expected to be paid within one year.

Due to/from balances between the City and its component unit School Board consisted of \$4,873,048 and are the result of accounts payable balances to be refunded by the general fund for the School Board.

Interfund balances and due to/from amounts consisted of the following:

	Interfund Receivables/ Due From	Interfund Payables/ Due To
Major Fund:		
General	\$ 2,121,832	\$ 4,873,048
Capital Projects	232,007	-
Stormwater	-	337,045
Sanitary Sewer	-	140,401
Non-Major Fund:		
FCCTV	104,804	-
Component Units:		
School Board	5,461,570	379,139
Economic Development Authority	-	232,007
Fiduciary Funds:		
Pension Benefits	-	480,486
OPEB Benefits	-	1,213,023
School OPEB Benefits	-	209,384
Agency	-	55,680
	<u>\$ 7,920,213</u>	<u>\$ 7,920,213</u>

Transfers consisted of the following:

	Transfers In	Transfers Out
General fund	\$ 1,317,284	\$ 3,563,280
Capital projects	1,850,000	-
Special transportation	340,000	267,284
FCCTV	323,280	-
	<u>\$ 3,830,564</u>	<u>\$ 3,830,564</u>

The majority of amounts transferred relate to funding needs for capital asset activity.

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 8. Capital Assets

Capital asset activity was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
Capital asset, non-depreciable:				
Land	\$ 9,552,769	\$ -	\$ -	\$ 9,552,769
Construction in progress	29,922,847	12,089,330	(25,325,025)	16,687,152
Total capital assets, non-depreciable	<u>39,475,616</u>	<u>12,089,330</u>	<u>(25,325,025)</u>	<u>26,239,921</u>
Capital assets, being depreciated:				
Buildings and systems	76,261,442	33,673,657	(130,272)	109,804,827
Machinery and equipment	17,347,332	4,672,774	(496,886)	21,523,220
Improvements other than buildings	6,328,146	820,671	-	7,148,817
Infrastructure	8,749,827	2,820,898	-	11,570,725
Intangibles	1,448,773	33,752	-	1,482,525
Library collections	2,312,504	367,123	(194,972)	2,484,655
Total capital assets, depreciable	<u>112,448,024</u>	<u>42,388,875</u>	<u>(822,130)</u>	<u>154,014,769</u>
Less accumulated depreciation for:				
Buildings and systems	(29,877,469)	(2,175,465)	49,688	(32,003,246)
Machinery and equipment	(11,319,823)	(1,200,187)	493,374	(12,026,636)
Improvements other than buildings	(3,771,164)	(303,711)	-	(4,074,875)
Infrastructure	(3,769,266)	(245,224)	-	(4,014,490)
Intangibles	(1,411,416)	(12,143)	-	(1,423,559)
Library collections	(1,576,345)	(289,387)	194,974	(1,670,758)
Total accumulated depreciation	<u>(51,725,483)</u>	<u>(4,226,117)</u>	<u>738,036</u>	<u>(55,213,564)</u>
Total capital assets, depreciable, net	<u>60,722,541</u>	<u>38,162,758</u>	<u>(84,094)</u>	<u>98,801,205</u>
Capital assets, net	<u><u>\$ 100,198,157</u></u>	<u><u>\$ 50,252,088</u></u>	<u><u>\$ (25,409,119)</u></u>	<u><u>\$ 125,041,126</u></u>

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 8. Capital Assets (Continued)

Primary Government (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Business-Type Activities:</u>				
<u>Sanitary Sewer fund:</u>				
Capital assets, non-depreciable:				
Construction in progress	\$ 83,334	\$ 1,490,963	\$ (394,539)	\$ 1,179,758
Total capital assets, non-depreciable	<u>83,334</u>	<u>1,490,963</u>	<u>(394,539)</u>	<u>1,179,758</u>
Capital assets, depreciable:				
Building and systems	8,305,197	419,545	-	8,724,742
Machinery and equipment	394,031	36,199	-	430,230
Purchased capacity	20,887,307	394,538	-	21,281,845
Other intangibles	9,900	-	-	9,900
Total capital assets, depreciable	<u>29,596,435</u>	<u>850,282</u>	<u>-</u>	<u>30,446,717</u>
Less accumulated depreciation for:				
Building and systems	(2,669,635)	(152,385)	-	(2,822,020)
Machinery and equipment	(105,335)	(25,793)	-	(131,128)
Purchased capacity	(6,579,112)	(853,018)	-	(7,432,130)
Other intangibles	(9,900)	-	-	(9,900)
Total accumulated depreciation	<u>(9,363,982)</u>	<u>(1,031,196)</u>	<u>-</u>	<u>(10,395,178)</u>
Total capital assets depreciable, net	<u>20,232,453</u>	<u>(180,914)</u>	<u>-</u>	<u>20,051,539</u>
Capital assets, net	<u>\$ 20,315,787</u>	<u>\$ 1,310,049</u>	<u>\$ (394,539)</u>	<u>\$ 21,231,297</u>

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 8. Capital Assets (Continued)

Primary Government (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Business-Type Activities:</u>				
<u>Storm Water fund:</u>				
Capital asset, non-depreciable:				
Construction in progress	\$ 109,664	\$ 264,097	\$ (280,575)	\$ 93,186
Total capital assets, non-depreciable	<u>109,664</u>	<u>264,097</u>	<u>(280,575)</u>	<u>93,186</u>
Capital assets, depreciable:				
Building and systems	86,499	-	-	86,499
Machinery and equipment	520,471	-	-	520,471
Improvements other than buildings	1,954,752	233,311	-	2,188,063
Infrastructure	6,894,684	111,116	-	7,005,800
Intangible	-	7,244	-	7,244
Total capital assets, depreciable	<u>9,456,406</u>	<u>351,671</u>	<u>-</u>	<u>9,808,077</u>
Less accumulated depreciation for:				
Building and systems	(7,226)	(3,460)	-	(10,686)
Machinery and equipment	(152,851)	(41,783)	-	(194,634)
Improvements other than buildings	(298,798)	(104,702)	-	(403,500)
Infrastructure	(3,786,296)	(141,136)	-	(3,927,432)
Intangible	-	(1,449)	-	(1,449)
Total accumulated depreciation	<u>(4,245,171)</u>	<u>(292,530)</u>	<u>-</u>	<u>(4,537,701)</u>
Total capital assets depreciable, net	<u>5,211,235</u>	<u>59,141</u>	<u>-</u>	<u>5,270,376</u>
Capital assets, net	<u>5,320,899</u>	<u>323,238</u>	<u>(280,575)</u>	<u>5,363,562</u>
Business-type capital assets, net	<u>\$ 25,636,686</u>	<u>\$ 1,633,287</u>	<u>\$ (657,114)</u>	<u>\$ 26,594,859</u>

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 8. Capital Assets (Continued)

Component Unit – School Board:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital asset, non-depreciable:				
Land	\$ 1,273,354	\$ -	\$ -	\$ 1,273,354
Construction in progress	187,928	556,041	(743,969)	-
Total capital assets, non-depreciable	<u>1,461,282</u>	<u>556,041</u>	<u>(743,969)</u>	<u>1,273,354</u>
Capital assets, depreciable:				
Buildings and systems	1,192,682	108,841	-	1,301,523
Machinery and equipment	4,271,185	1,587,593	(790,625)	5,068,153
Improvements other than buildings	367,722	61,555	-	429,277
Library collections	449,166	50,261	(69,954)	429,473
Intangibles	13,108	18,157	-	31,265
Leasehold improvements	21,080	-	(21,080)	-
Total capital assets, depreciable	<u>6,314,943</u>	<u>1,826,407</u>	<u>(881,659)</u>	<u>7,259,691</u>
Less accumulated depreciation for:				
Buildings and systems	(487,418)	(33,617)	-	(521,035)
Machinery and equipment	(2,907,847)	(402,313)	725,534	(2,584,626)
Improvements other than buildings	(102,448)	(24,204)	-	(126,652)
Library collections	(381,672)	(33,480)	69,954	(345,198)
Intangibles	(8,848)	(3,040)	-	(11,888)
Leasehold improvements	(19,323)	(1,757)	21,080	-
Total accumulated depreciation	<u>(3,907,556)</u>	<u>(498,411)</u>	<u>816,568</u>	<u>(3,589,399)</u>
Total capital assets, depreciable, net	<u>2,407,387</u>	<u>1,327,996</u>	<u>65,091</u>	<u>3,670,292</u>
Capital assets, net	<u>\$ 3,868,669</u>	<u>\$ 1,884,037</u>	<u>\$ 809,060</u>	<u>\$ 4,943,646</u>

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 8. Capital Assets (Continued)

Depreciation expense was charged to functions/programs as follows:

Primary Government - Governmental activities:	
General government	\$ 317,995
Judicial administration	76,343
Public safety	566,610
Public works	633,233
Education	1,987,274
Parks, recreation, and cultural	596,376
Community development	48,286
Total governmental activities	<u>\$ 4,226,117</u>
Primary Government – Business-type activities:	
Sanitary Sewer	\$ 1,031,196
Storm Water	292,530
Total business-type activities	<u>\$ 1,323,726</u>
Component Unit – School Board:	
Education	<u>\$ 498,411</u>

Note 9. Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables that are not considered to be available to liquidate liabilities in the current period. Governmental funds also include unearned revenue amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. At year end, the various components of unavailable/unearned revenue reported in the financial statements were as follows:

	<u>Governmental Activities</u>	<u>Governmental Funds</u>
Unavailable		
Delinquent property taxes	\$ -	\$ 647,234
Other	-	630,212
Unearned		
Property taxes not yet due	5,767,127	5,767,127
Other	<u>118,601</u>	<u>118,601</u>
Total unavailable/unearned revenue	<u>\$ 5,885,728</u>	<u>\$ 7,163,174</u>

(Continued)

CITY OF FALLS CHURCH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 9. Unavailable/Unearned Revenue (Continued)

The Affordable Housing fund loans money to first-time homebuyers to be repaid when the homebuyers sell or refinance the property. In addition to reflecting an expenditure for the loan disbursement, a receivable with offsetting unearned revenue is reported at the fund level. On the government-wide statements, the disbursement results only in a loan receivable with no offset. These loans are included in other unearned revenue listed above.

Note 10. Long-Term Liabilities

The following is a summary of changes in long-term liabilities:

Primary Government

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
General obligation bonds	\$ 68,043,927	\$ -	\$ 6,184,694	\$ 61,859,233	\$ 5,817,694
Bond premiums and discounts, net	3,274,841	-	242,568	3,032,273	-
Bond anticipation note	-	20,000,000	-	20,000,000	-
Capital leases	28,636	-	20,828	7,808	7,808
Compensated absences	<u>2,193,533</u>	<u>1,826,047</u>	<u>1,896,981</u>	<u>2,122,599</u>	<u>1,437,932</u>
Total long-term liabilities	<u>\$ 73,540,937</u>	<u>\$21,826,047</u>	<u>\$ 8,345,071</u>	<u>\$ 87,021,913</u>	<u>\$ 7,263,434</u>

Business-type Activities:

Sanitary Sewer fund:

General obligation bonds	\$ 11,911,884	\$ -	\$ 1,010,278	\$ 10,901,606	\$ 1,022,734
Bond premiums and discounts, net	206,000	-	13,998	192,002	-
Compensated absences	<u>39,735</u>	<u>38,719</u>	<u>30,242</u>	<u>48,212</u>	<u>24,147</u>
	<u>\$ 12,157,619</u>	<u>\$ 38,719</u>	<u>\$ 1,054,518</u>	<u>\$ 11,141,820</u>	<u>\$ 1,046,881</u>

Storm water fund:

General obligation bonds	\$ 1,812,117	\$ -	\$ 97,479	\$ 1,714,638	\$ 107,478
Bond premiums and discounts, net	102,665	-	6,463	96,202	-
Compensated absences	<u>40,699</u>	<u>33,888</u>	<u>32,232</u>	<u>42,355</u>	<u>31,230</u>
	<u>\$ 1,955,481</u>	<u>\$ 33,888</u>	<u>\$ 136,174</u>	<u>\$ 1,853,195</u>	<u>\$ 138,708</u>

Total long-term liabilities	<u>\$ 14,113,100</u>	<u>\$ 72,607</u>	<u>\$ 1,190,692</u>	<u>\$ 12,995,015</u>	<u>\$ 1,185,589</u>
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(Continued)

CITY OF FALLS CHURCH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 10. Long-Term Liabilities (Continued)

On June 27, 2019, the City issued a bond anticipation note for \$20 million, with the intention of refinancing the note on a long-term basis. The refinancing was consummated on November 7, 2019 when a General Obligation Bond was issued. See Note 27 for further discussion.

<u>Component Unit- School Board:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Termination benefits	\$ 1,672,000	\$ 3,000	\$ 465,000	\$ 1,210,000	\$ 353,652
Compensated absences	1,134,038	132,163	-	1,266,201	559,650
Other long-term obligations	985,119	-	326,739	658,380	328,370
Capital leases	233,452	736,063	239,301	730,214	179,983
Total long-term liabilities	<u>\$ 4,024,609</u>	<u>\$ 871,226</u>	<u>\$ 1,031,040</u>	<u>\$ 3,864,795</u>	<u>\$ 1,421,655</u>

Annual debt service requirements to maturity are as follows:

<u>Governmental Activities</u>			<u>Business-type Activities</u>		
<u>General Obligation Bonds</u>			<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>		<u>Principal</u>	<u>Interest</u>
2020	\$ 5,817,694	\$ 2,139,885	2020	\$ 1,130,212	\$ 309,189
2021	5,874,694	1,949,496	2021	1,153,811	278,704
2022	5,706,694	1,759,265	2022	1,170,560	247,787
2023	4,713,360	1,573,847	2023	1,192,462	218,483
2024	4,679,360	1,404,839	2024	1,200,521	191,160
2025-2029	15,237,042	5,159,137	2025-2029	4,263,071	601,399
2030-2034	12,360,269	2,504,312	2030-2034	2,145,727	178,893
2035-2039	4,935,120	821,111	2035-2039	359,880	14,659
2040-2044	1,315,000	351,263	2040-2044	-	-
2045-2049	1,220,000	108,500	2045-2049	-	-
	<u>\$ 61,859,233</u>	<u>\$ 17,771,655</u>		<u>\$ 12,616,244</u>	<u>\$ 2,040,274</u>

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 10. Long-Term Liabilities (Continued)

The following are the general obligation bonds that were outstanding as of June 30:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities	Business-type Activities
General obligation	4.00%	03/08/2007	08/01/2021	\$ 6,260,000	\$ 2,060,000	\$ -
General obligation	2.00-4.00%	03/06/2012	08/01/2024	\$ 15,300,000	9,605,000	-
General obligation	2.00-3.00%	12/22/2011	01/15/2032	\$ 8,570,000	3,325,000	-
General obligation	2.00-5.00%	12/18/2013	07/01/2033	\$ 17,620,000	11,065,000	1,295,000
General obligation	2.00-5.00%	12/23/2014	07/15/2030	\$ 11,740,000	8,320,000	1,060,000
General obligation	1.48%	08/31/2015	07/15/2020	\$ 1,180,000	470,000	-
General obligation	2.31%	08/31/2015	07/15/2035	\$ 5,360,000	2,928,233	1,571,767
General obligation 2016A	1.24%	11/16/2016	7/15/2021	\$ 607,000	370,000	-
General obligation 2016B	1.41%	11/16/2016	7/15/2026	\$ 4,071,000	124,000	3,011,000
General obligation 2016C	1.79%	11/16/2016	7/15/2031	\$ 2,511,000	222,000	2,193,000
General obligation	2.02-3.35%	06/06/2018	01/15/2048	\$ 22,305,000	20,390,000	565,000
VRA bond	2.13-5.13%	10/01/2011	10/01/2031	\$ 3,125,000	-	415,000
VRA line of credit	3.35%	05/13/2009	09/01/2029	\$ 4,100,000	-	2,505,477
VPSA bond	4.10-5.10%	05/11/2006	07/15/2026	\$ 1,935,000	760,000	-
VPSA bond	4.25%	12/15/2011	12/01/2030	\$ 3,000,000	2,220,000	-
					<u>\$ 61,859,233</u>	<u>\$ 12,616,244</u>

Defeasance of Debt

During 2014, the City used existing cash and proceeds from the sale of the water utility system to advance refund approximately \$15,780,000 in outstanding bonds. The proceeds were placed in irrevocable trust with an escrow agent to fund future debt service payments. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the City's long-term debt. The amount still outstanding as of June 30, 2019 was \$980,000.

In 2016, the City issued new debt to advance refund debt issued through the Virginia Resource Authority of approximately \$1,940,000. The entire amount is still outstanding and will be paid in November 2021.

Obligations Under Capital Leases

The City leased equipment and vehicles under various capital leases expiring at various dates through 2020. The assets acquired have a cost of \$69,065 and accumulated depreciation of \$51,799, resulting in a net book value of \$17,266. The present value of minimum lease payments is \$7,808.

The School Board leased equipment, vehicles, and buses under various capital leases expiring at various dates through 2024. The assets acquired have a cost of \$1,151,447 and accumulated depreciation of \$222,477, resulting in a net book value of \$928,970. The present value of minimum lease payments is \$730,214.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 11. Commitments and Contingent Liabilities

Contingent Liabilities: Federal programs in which the City participates were audited in accordance with provisions of U.S. Office of Management and Budget and the Uniform Guidance. Pursuant to the provisions of this document, all major programs were tested for compliance with applicable grant requirements. While no matters of material noncompliance were disclosed by the audit, the Federal government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, future disallowances of current grant program expenditures, if any, would be immaterial.

The City is a defendant in various lawsuits. Although the outcome is not presently determinable, in the opinion of the City's counsel, the resolution of these matters will not have a material adverse effect on its financial condition.

Construction and Improvement Contracts: The City has the following active construction and improvement commitments as of June 30:

Project	Amount Spent-to-Date	Remaining Commitment
Governmental Activities:		
Broad St and Cherry St Intersection Improvement	\$ 441,518	\$ 96,782
S Washington St Utility Undergrounding	601,588	136,048
Washington & Old Dominion Dual Trails Improvement	23,932	3,206,068
Bike Share Installation	427,453	117,715
Roadbed Full Depth Reclamation and Paving	-	221,738
George Mason High School Construction	6,689,120	101,310,880
Howard Herman Stream Valley Park Improvements	128,192	17,090
Little City Plaza Improvements	161,085	89,337
	<u>\$ 8,472,888</u>	<u>\$ 105,195,658</u>
Sanitary Sewer Fund:		
Dorchester/Great Falls Sanitary Sewer Pipe Expansion	<u>\$ 820,244</u>	<u>\$ 49,042</u>
Storm Water Fund:		
Storm Water Pipe Relining	\$ 57,974	\$ 47,629
Ellison Rd and Railroad Ave Storm Water Improvement	-	246,536
	<u>\$ 57,974</u>	<u>\$ 294,165</u>

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 11. Commitments and Contingent Liabilities (Continued)

Operating Lease Commitments

The City and School Board lease office facilities and other equipment under various long-term lease agreements. Total costs for such leases were approximately \$8 thousand to the City and approximately \$358 thousand to the School Board. The future minimum lease payments for the City and School Board leases are shown below:

		Component Unit
	City	School Board
2020	\$ 1,698	\$ -
2021	-	185,748
2022	-	207,702
2023	-	213,413
2024	-	219,282
2025-2029	-	1,190,251
2030	-	258,044
Total	<u>\$ 1,698</u>	<u>\$ 2,274,440</u>

Note 12. Basic and Police Pension Plans

The City administers two pension plans. Fiduciary information for these plans as of June 30, 2019 is provided in Note 17. The net pension liability is based on a measurement date of June 30, 2018 as discussed in the following note.

Plan Description

The City's Basic Pension Plan is a cost sharing multiple-employer defined benefit pension plan, covering all permanent employees of the City who are scheduled to work twenty hours or more per week, except police officers who are covered under the Police Pension Plan. School Board employees who work less than 80% of full time and are not eligible to participate in VRS, but meet the City pension plan's requirements, are eligible for the City's Basic Pension plan. Northern Virginia Criminal Justice Training Academy full-time employees are also eligible for the plan.

The Police Pension Plan is a single-employer defined benefit pension plan covering the City's police officers that work on a full-time basis.

Both Plans are authorized by City Council and are administered by the City. Benefit provisions are established and amended by City resolutions. The Plans include an annual increase to benefits for retirees. Participants are 100% vested after five years of participation.

The Plans do not issue stand-alone financial reports.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 12. Basic and Police Pension Plans (Continued)

Plan Description (Continued)

Upon retirement, a participant in either of the Plans would receive a monthly retirement allowance, which is determined based on a certain percentage of the participant's average final compensation at the date of retirement and the number of years of the participant's credited service. In the event of death prior to retirement eligibility, the participant's accumulated contributions are paid to the participant's designated beneficiaries in a lump sum. If a participant were vested and eligible for early or regular retirement at time of death, the designated beneficiary would receive a monthly retirement allowance.

The City's membership in the Basic and Police Pension Plans as of July 1, 2018 were as follows:

	<u>Basic</u>	<u>Police</u>
Retirees and beneficiaries	252	31
Terminated vested members	85	10
Active members	<u>261</u>	<u>34</u>
Total	<u>598</u>	<u>75</u>

Contributions

The City Council establishes and may amend the contribution requirements of both plans. The City is required to contribute at an actuarially determined rate. For 2019 and 2018, the total contributions rate was 1.59% and 8.29% of annual covered payroll, respectively for the Basic Pension Plan, with employees contributing 5.0%. For the Police Pension Plan, the total contribution rate was 10.77% and 22.11% for 2019 and 2018, respectively, with employees contributing 7.0%. In 2001, the plan was amended to allow permanent employees who were formerly temporary employees who worked more than 20 hours per week to buy back that period for which they were not eligible due to their temporary status. The rate of contribution by these employees is 5% of current salary for each month they are buying back. Administrative costs are borne by the assets of the plans.

On July 28, 2008, the City Council approved an amendment to the plans to allow employees to purchase up to four years credit for service with other governmental employers: Federal, military, State or local. The contribution for the purchase of credit is to be actuarially determined in order to make such purchase financially neutral to the pension funds.

In 2014, the City Council approved an amendment to the plans allowing the City to reduce its contribution up to \$825,000 total for the two plans as a result of a one-time contribution of \$9.3 million of funds from the proceeds of the sale of the City's water system.

Total employer contributions to the Basic Pension Plan for the years ended June 30, 2019 and 2018 amounted to \$251,480 and \$1,257,789, respectively. The contributed amounts were based on a percentage of actuarially determined amounts as described above and were based on an actuarial valuation for the prior period. The total basic pension contributions represent funding for normal costs. Contributions made by the City represent 1.59% and 8.29% of covered payroll for the years 2019 and 2018, respectively.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 12. Basic and Police Pension Plans (Continued)

Contributions (Continued)

Total employer contributions to the Police Pension Plan for the years ended June 30, 2019 and 2018 amounted to \$309,263 and \$625,820, respectively. The contributed amounts were based on a percentage of actuarially determined amounts as described above and were based on an actuarial valuation for the prior period. The total police pension contributions represent funding for normal costs. Contributions made by the City represent 10.77% and 22.11% of covered payroll for the years 2019 and 2018, respectively.

Investments

For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 13.79 percent for the basic plan and 13.71 percent for the police plan. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

As of the June 30, 2018 actuarial valuation, the return on the actuarial value of assets was 7.00% for both the Basic and Police Plans, respectively.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2018, using the following relevant actuarial information:

	Basic	Police
Actuarial valuation date	June 30, 2018	June 30, 2018
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar Amount, Open	Level Dollar Amount, Open
Amortization period	15 years	15 years
Actuarial assumptions:		
Investment rate of return	7.00%	7.00%
Projected salary increases	4.50%	4.50%
Inflation	2.75%	2.75%
Amortization growth rate	0.00%	0.00%

The Basic and Pension Plans use the RP-2014 (adjusted back to 2006 with scale MP-2014) generationally projected with scale MP-2017 for healthy lives.

The investment rate of return on pension plan investments was determined using the actual rates of return for the past ten years.

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 12. Basic and Police Pension Plans (Continued)

Actuarial Assumptions (Continued)

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability/(Asset) - Basic Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/ (Asset) (a) – (b)
Balances at June 30, 2017	\$ 89,358,056	\$ 99,688,472	\$ (10,330,416)
Changes for the year:			
Service cost	1,508,277	-	1,508,277
Interest	6,184,236	-	6,184,236
Differences between expected and actual experience	1,069,324	-	1,069,324
Changes in assumptions	(521,422)	-	(521,422)
Contributions – employer	-	1,257,789	(1,257,789)
Contributions – employee	-	759,047	(759,047)
Net investment income	-	13,225,934	(13,225,934)
Benefit payments	(5,040,218)	(5,040,218)	-
Administrative expenses	-	(53,716)	53,716
Net changes	3,200,197	10,148,836	(6,948,639)
Balances at June 30, 2018	\$ 92,558,253	\$ 109,837,308	\$ (17,279,055)

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 12. Basic and Police Pension Plans (Continued)

Changes in Net Pension Liability/(Asset) - Police Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/ (Asset) (a) – (b)
Balances at June 30, 2017	\$ 27,621,915	\$ 30,719,680	\$ (3,097,765)
Changes for the year:			
Service cost	644,642	-	644,642
Interest	1,939,570	-	1,939,570
Differences between expected and actual experience	(407,298)	-	(407,298)
Change in assumptions	(141,013)	-	(141,013)
Contributions – employer	-	625,820	(625,820)
Contributions – employee	-	198,118	(198,118)
Net investment income	-	4,092,322	(4,092,322)
Benefit payments	(1,116,820)	(1,116,820)	-
Administrative expenses	-	(16,968)	16,968
Net changes	919,081	3,782,472	(2,863,391)
Balances at June 30, 2018	\$ 28,540,996	\$ 34,502,152	\$ (5,961,156)

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 12. Basic and Police Pension Plans (Continued)

Sensitivity of the Net Pension Liability (Asset)

The following presents the net pension liability (asset) of the City basic and police plans as of June 30, 2018, calculated using the discount rate of 7.00%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Basic Plan			
Net pension liability (asset)	\$ (6,334,289)	\$ (17,279,055)	\$ (26,421,480)
Plan fiduciary net position as a percentage of the total pension liability (asset)	106.1%	118.7%	131.7%
Police Plan			
Net pension liability (asset)	\$ (2,312,914)	\$ (5,961,156)	\$ (8,988,802)
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.2%	120.9%	135.2%

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2019, pension expense (income) was \$(1,824,664) and \$(255,412) for the Basic and Police Plans, respectively. At June 30, 2019, deferred outflows of resources and deferred inflows of resources related to the Plans arose from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Basic Plan:		
Differences between expected and actual experience	\$ 712,882	\$ 356,056
Change in assumptions	-	684,260
Net difference between projected and actual earnings on pension plan investments	-	6,569,248
Change in proportion during measurement period	64,984	64,985
Contribution difference	21,173	21,171
Employer contributions subsequent to the measurement date	251,480	-
	<u>\$ 1,050,519</u>	<u>\$ 7,695,720</u>

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 12. Basic and Police Pension Plans (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Police Plan:		
Differences between expected and actual experience	\$ 34,377	\$ 421,788
Change in assumptions	243,826	285,110
Net difference between projected and actual earnings on pension plan investments	-	2,013,411
Employer contributions subsequent to the measurement date	309,263	-
	<u>\$ 587,466</u>	<u>\$ 2,720,309</u>

Employer contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Increase to Pension Expense	
	Basic	Police
2020	\$ (1,507,920)	\$ (385,260)
2021	(1,390,626)	(542,108)
2022	(2,727,412)	(1,014,558)
2023	(1,270,723)	(500,180)
Thereafter	-	-

(Continued)

CITY OF FALLS CHURCH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 13. Allocation of Basic Pension Plan

The City and Component Unit – School Board portions of the cost sharing multiple-employer defined benefit pension plan are noted below and represent 73% and 18% of the total plan, respectively. The Northern Virginia Criminal Justice Training Academy’s portion of the Basic Pension Plan of 9%, is reported in the Academy’s financial report. Proportionate shares did not change from the previous year. Overall plan information that includes all three participants, the City, School Board, and Academy can be found in Note 12.

Membership

Membership in the Basic Pension Plan as of July 1, 2018, was as follows:

	City	Schools
Retirees and beneficiaries	182	48
Terminated vested members	61	16
Active members	189	50
Total	<u>432</u>	<u>114</u>

Contributions

Total contributions to the basic pension plan for the year ended June 30, 2019 amounted to \$79,457 for the City and \$114,044 for the Schools. Contributions made by the City and Schools represent 0.69% and 3.81% of covered payroll for the year, respectively.

Changes in Net Pension Liability/(Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/ (Asset) (a) – (b)
Basic Plan - City			
Balances at June 30, 2017	\$ 65,122,914	\$ 72,681,010	\$ (7,558,096)
Changes for the year:			
Service cost	1,103,508	-	1,103,508
Interest	4,524,604	-	4,524,604
Differences between expected and actual experience	782,355	-	782,355
Changes to assumptions	(381,491)	-	(381,491)
Contributions – employer	-	883,553	(883,553)
Contributions – employee	-	555,345	(555,345)
Net investment income	-	9,568,481	(9,568,481)
Benefit payments, including refunds of employee contributions	(3,687,599)	(3,687,599)	-
Administrative expenses	-	(39,301)	39,301
Net changes	<u>2,341,377</u>	<u>7,280,479</u>	<u>(4,939,102)</u>
Balances at June 30, 2018	<u>\$ 67,464,291</u>	<u>\$ 79,961,489</u>	<u>\$ (12,497,198)</u>

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 13. Allocation of Basic Pension Plan (Continued)

Changes in Net Pension Liability/(Asset) (Continued)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Basic Plan - Schools			
Balances at June 30, 2017	\$ 16,393,487	\$ 18,266,594	\$ (1,873,107)
Changes for the year:			
Service cost	273,481	-	273,481
Interest	1,121,326	-	1,121,326
Differences between expected and actual experience	193,890	-	193,890
Changes in assumptions	(94,544)	-	(94,544)
Contributions – employer	-	257,999	(257,999)
Contributions – employee	-	137,630	(137,630)
Net investment income	-	2,527,565	(2,527,565)
Benefit payments, including refunds of employee contributions	(913,892)	(913,892)	-
Administrative expenses	-	(9,740)	9,740
Net changes	580,261	1,999,562	(1,419,301)
Balances at June 30, 2018	\$ 16,973,748	\$ 20,266,156	\$ (3,292,408)

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 13. Allocation of Basic Pension Plan (Continued)

Sensitivity of the Net Pension Liability (Asset)

The following presents the net pension liability (asset) of the City basic plan as of June 30, 2018, calculated using the discount rate of 7.00%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Basic Plan - City			
Net pension liability (asset)	\$ (4,581,319)	\$ (12,497,198)	\$ (19,109,521)
Plan fiduciary net position as a percentage of the total pension liability (asset)	106.1%	118.7%	131.7%
Basic Plan - Schools			
Net pension liability (asset)	\$ (1,206,956)	\$ (3,292,408)	\$ (5,034,436)
Plan fiduciary net position as a percentage of the total pension liability (asset)	106.1%	118.7%	131.7%

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2019, the City and Schools recognized pension expense (income) of \$(1,328,141) and \$(353,149), respectively. At June 30, 2019, the City and Schools reported deferred outflows of resources and deferred inflows of resources related to the Plans from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	City	Schools	City	Schools
Differences between expected and actual experience	\$ 515,597	\$ 135,835	\$ 257,520	\$ 67,844
Change in assumptions	-	-	494,896	130,381
Change in proportion	48,810	-	14,973	50,012
Contribution difference	3,613	12,224	19,863	1,308
Investment differences	-	-	4,751,255	1,251,726
Employer contributions subsequent to the measurement date	79,457	114,044	-	-
	<u>\$ 647,477</u>	<u>\$ 262,103</u>	<u>\$ 5,538,507</u>	<u>\$ 1,501,271</u>

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 13. Allocation of Basic Pension Plan (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Employer contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Increase (Decrease) to Pension Expense	
	Basic - City	Basic - Schools
2020	\$ (1,084,696)	\$ (310,088)
2021	(994,112)	(281,307)
2022	(1,972,620)	(519,690)
2023	(919,059)	(242,127)
Thereafter	-	-

Note 14. Defined Benefit Pension Plan – Constitutional Officers Plan

Plan Description

Constitutional officers and their employees of the City of Falls Church, Virginia, (the “Political Subdivision”) are automatically covered by VRS Retirement Plan upon employment. This multi-employer agent plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 14. Defined Benefit Pension Plan – Constitutional Officers Plan (Continued)

Plan Description (Continued)

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are as follows:

Plan 1 – Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013 and have not taken a refund.

- **Hybrid Opt-In Election** – VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
- **Creditable Service** – Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
- **Vesting** – Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.
- **Calculating the Benefit** – The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 14. Defined Benefit Pension Plan – Constitutional Officers Plan (Continued)

Plan Description (Continued)

Plan 1 (Continued)

- **Average Final Compensation** – A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier** – The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.
- **Normal Retirement Age** – Age 65
- **Earliest Unreduced Retirement Eligibility** – Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.
- **Earliest Reduced Retirement Eligibility** – Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.
 - **Eligibility** – For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.
 - **Exceptions to COLA Effective Dates** – The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:
 - The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
 - The member retires on disability.
 - The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
 - The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
 - The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 14. Defined Benefit Pension Plan – Constitutional Officers Plan (Continued)

Plan Description (Continued)

Plan 1 (Continued)

- **Disability Coverage** for members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted.
- **Purchase of Prior Service** – Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.

Plan 2 - Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

- **Hybrid Opt-In Election** – Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.
- **Retirement Contributions** – Same as Plan 1.
- **Creditable Service** – Same as Plan 1.
- **Vesting** – Same as Plan 1.
- **Calculating the Benefit** – See definition under Plan 1.
- **Average Final Compensation** – A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier** – Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013.
- **Normal Retirement Age** – Normal Social Security retirement age.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 14. Defined Benefit Pension Plan – Constitutional Officers Plan (Continued)

Plan Description (Continued)

Plan 2 (Continued)

- **Earliest Unreduced Retirement Eligibility** – Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.
- **Earliest Reduced Retirement Eligibility** – Age 60 with at least five years (60 months) of creditable service.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.
 - **Eligibility** – Same as Plan 1.
 - **Exceptions to COLA Effective Dates** – Same as Plan 1.
- **Disability Coverage** – Same as Plan 1 except that the retirement multiplier is 1.65%.
- **Purchase of Prior Service** – Same as Plan 1.

Hybrid Retirement Plan – The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

- **Eligible Members** – Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes political subdivision employees; members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.
- **Non-Eligible Members** – Some employees are not eligible to participate in the Hybrid Retirement Plan. They include political subdivision employees who are covered by enhanced benefits for hazardous duty employees and those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 14. Defined Benefit Pension Plan – Constitutional Officers Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Retirement Contributions** – A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
- **Creditable Service** –
 - **Defined Benefit Component:** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
 - **Defined Contributions Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
- **Vesting** –
 - **Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.
 - **Defined Contributions Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years, a member is 50% vested and may withdraw 50% of employer contributions. After three years, a member is 75% vested and may withdraw 75% of employer contributions. After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 14. Defined Benefit Pension Plan – Constitutional Officers Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Calculating the Benefit –**
 - **Defined Benefit Component:** See definition under Plan 1.
 - **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
- **Average Final Compensation –** Same as Plan 2 for the defined benefit component of the plan.
- **Service Retirement Multiplier –** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.
- **Normal Retirement Age –**
 - **Defined Benefit Component:** Same as Plan 2, however, not applicable for hazardous duty employees.
 - **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Earliest Unreduced Retirement Eligibility –**
 - **Defined Benefit Component:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.
 - **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Earliest Reduced Retirement Eligibility –**
 - **Defined Benefit Component:** Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.
 - **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 14. Defined Benefit Pension Plan – Constitutional Officers Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Cost-of-Living Adjustment (COLA) in Retirement**
 - **Defined Benefit Component** – Same as Plan 2.
 - **Defined Contribution Component** – Not Applicable.
 - **Eligibility** – Same as Plan 1 and 2.
 - **Exceptions to COLA Effective Dates** – Same as Plan 1 and 2.
- **Disability Coverage** – Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
- **Purchase of Prior Service** –
 - **Defined Benefit Component** – Same as Plan 1, with the following exceptions:
 - Hybrid Retirement Plan members are ineligible for ported service.
 - **Defined Contribution Component** – Not Applicable.

Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

Inactive members or their beneficiaries currently receiving benefits	15
Inactive members:	
Vested inactive members	4
Non-vested inactive members	6
Inactive members active elsewhere in VRS	4
	<hr/>
Total inactive members	14
Active members	18
	<hr/>
Total covered employees	47
	<hr/> <hr/>

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 14. Defined Benefit Pension Plan – Constitutional Officers Plan (Continued)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The political subdivision's contractually required contribution rate for the year ended June 30, 2019 was 1.15% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$14,607 and \$19,111 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Liability

The political subdivision's net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Actuarial Assumptions

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.50%
General Employees - Salary increases, including inflation	3.50 – 5.35%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

(Continued)

CITY OF FALLS CHURCH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 14. Defined Benefit Pension Plan – Constitutional Officers Plan (Continued)

Actuarial Assumptions (Continued)

- * Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Public Safety Employees – 70% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2014 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest):
Update mortality table; lowered retirement rates at older ages, changed final retirement from 70 to 75; lowered disability rates, no change to salary scale, increased rate of line of duty disability from 14% to 20%.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table: (See Next Page)

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 14. Defined Benefit Pension Plan – Constitutional Officers Plan (Continued)

Long-Term Expected Rate of Return (Continued)

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	40.00 %	4.54 %	1.82 %
Fixed Income	15.00	0.69	0.10
Credit Strategies	15.00	3.96	0.59
Real Assets	15.00	5.76	0.86
Private Equity	15.00	9.53	1.43
Total	100.00 %		4.80 %
	Inflation		2.50 %
	*Expected arithmetic nominal return		7.30 %

- * The above allocation provides for a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.5%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015, actuarial valuations, whichever was greater. From July 1, 2018 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 14. Defined Benefit Pension Plan – Constitutional Officers Plan (Continued)

Changes in Net Pension Liability/(Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) (a) – (b)
Balances at June 30, 2017	\$ 4,557,749	\$ 5,371,714	\$ (813,965)
Changes for the year:			
Service cost	126,438	-	126,438
Interest	312,070	-	-
Change of assumptions	-	-	-
Differences between expected and actual experience	(364,497)	-	(364,497)
Contributions – employer	-	18,642	(18,642)
Contributions – employee	-	62,844	(62,844)
Net investment income	-	395,513	(395,513)
Benefit payments, including refunds of employee contributions	(199,201)	(199,201)	-
Administrative expenses	-	(3,444)	3,444
Other changes	-	(350)	350
Net changes	(125,190)	274,004	(399,194)
Balances at June 30, 2018	\$ 4,432,559	\$ 5,645,718	\$ (1,213,159)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the political subdivision as of June 30, 2018 using the discount rate of 7.00%, as well as what the political subdivision's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Political subdivision's net pension liability (asset)	\$ (759,204)	\$ (1,213,159)	\$ (1,599,882)

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 14. Defined Benefit Pension Plan – Constitutional Officers Plan (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2019, the political subdivision recognized pension expense (income) of \$(181,953). At June 30, 2019, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 219,051
Changes in assumptions	-	20,864
Net difference between projected and actual earnings on pension plan investments	-	47,396
Employer contributions subsequent to the measurement date	<u>14,607</u>	<u>-</u>
Total	<u><u>\$ 14,607</u></u>	<u><u>\$ 287,311</u></u>

The \$14,607 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2020	\$ (162,558)
2021	(64,155)
2022	(55,848)
2023	(4,750)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 15. Defined Benefit Pension Plan – Teacher Cost Sharing Plan

General Information about the Teacher Cost Sharing Plan

Plan Description

All full-time, salaried permanent (professional) employees of Virginia public school divisions, including Falls Church Public Schools, (the “School Division”), are automatically covered by the VRS Teacher Retirement Plan upon employment. This multiple employer, cost sharing plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employers pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously funded service.

The System administers three different benefit structures for covered employees in the VRS Teacher Retirement Plan – Plan 1, Plan 2, and Hybrid. The provisions and features of the plans, as well as all actuarial assumptions, are substantially the same as those described in Note 14.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division’s contractually required contribution rate for the year ended June 30, 2019 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the pension plan from the school division were \$4,214,000 and \$4,094,000 for the years ended June 30, 2019 and June 30, 2018, respectively.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 15. Defined Benefit Pension Plan – Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the school division reported a liability of \$37,232,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion was 0.31660% as compared to 0.32112% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized pension expense of \$3,437,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 3,186,000
Change of assumptions	444,000	-
Net difference between projected and actual earnings on pension plan investments	-	790,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	1,581,000	798,000
Employer contributions subsequent to the measurement date	<u>4,214,000</u>	<u>-</u>
Total	<u><u>\$ 6,239,000</u></u>	<u><u>\$ 4,774,000</u></u>

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 15. Defined Benefit Pension Plan – Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The \$4,214,000 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Reduction to Pension Expense</u>
2020	\$ 465,000
2021	(581,000)
2022	(1,806,000)
2023	(631,000)
2024	(196,000)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2018, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$ 46,679,555
Plan Fiduciary Net Position	<u>34,919,563</u>
Employers' Net Pension Liability (Asset)	<u><u>\$ 11,759,992</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.81%

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 15. Defined Benefit Pension Plan – Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

Net Pension Liability

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

Sensitivity of the School Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the school division's proportionate share of the net pension liability of the school division using the discount rate of 7.00%, as well as what the school division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<u>1.00% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1.00% Increase (8.00%)</u>
School division's proportionate share of the VRS Teacher Employee Retirement plan net pension liability	\$ 56,873,000	\$ 37,232,000	\$ 20,975,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2019, approximately \$530,000 was payable to the Virginia Retirement System for the legally required contributions related to June 2019 payroll.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 16. Summary of Pension Elements

A summary of the pension-related financial statement elements is as follows:

	Governmental Activities	Business-Type Activities	Total Primary Government	School Board
Net pension asset				
Basic Pension Plan	\$ 11,802,153	\$ 695,045	\$ 12,497,198	\$ 3,292,408
Police Pension Plan	5,961,156	-	5,961,156	-
VRS – Constitutional Officers	1,213,159	-	1,213,159	-
Total net pension asset	<u>\$ 18,976,468</u>	<u>\$ 695,045</u>	<u>\$ 19,671,513</u>	<u>\$ 3,292,408</u>
Deferred outflows of resources				
Change in assumptions –				
Police Pension Plan	\$ 243,826	\$ -	\$ 243,826	\$ -
VRS – Teacher Cost Sharing Pool	-	-	-	444,000
Differences between expected and actual experience –				
Basic Pension Plan	486,922	28,675	515,597	135,835
Police Pension Plan	34,377	-	34,377	-
Contribution difference – Basic Pension Plan	1,097	2,516	3,613	12,224
Change in proportion –				
Basic Pension Plan	-	48,810	48,810	-
VRS – Teacher Cost Sharing Pool	-	-	-	1,581,000
Pension contributions subsequent to measurement date–				
Basic Pension Plan	50,469	28,988	79,457	114,044
Police Pension Plan	309,263	-	309,263	-
VRS – Constitutional Officers	14,607	-	14,607	-
VRS – Teacher Cost Sharing Pool	-	-	-	4,214,000
Total deferred outflows of resources	<u>\$ 1,140,561</u>	<u>\$ 108,989</u>	<u>\$ 1,249,550</u>	<u>\$ 6,501,103</u>
Net pension liability				
VRS – Teacher Cost Sharing Pool	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,232,000</u>
Deferred inflows of resources				
Differences between expected and actual experience –				
Basic Pension Plan	\$ 243,197	\$ 14,323	\$ 257,520	\$ 67,844
Police Pension Plan	421,788	-	421,788	-
VRS – Constitutional Officers	219,051	-	219,051	-
VRS – Teacher Cost Sharing Pool	-	-	-	3,186,000
Change in assumptions –				
Basic Pension Plan	467,372	27,524	494,896	130,381
Police Pension Plan	285,110	-	285,110	-
VRS – Constitutional Officers	20,864	-	20,864	-
Net difference between projected and actual earnings on plan investments -				
Basic Pension Plan	4,487,009	264,246	4,751,255	1,251,726
Police Pension Plan	2,013,411	-	2,013,411	-
VRS – Constitutional Officers	47,396	-	47,396	-
VRS – Teacher Cost Sharing Pool	-	-	-	790,000
Contribution difference – Basic Pension Plan	19,863	-	19,863	1,308
Change in proportion –				
Basic Pension Plan	11,370	3,603	14,973	50,012
VRS – Teacher Cost Sharing Pool	-	-	-	798,000
Total deferred inflows of resources	<u>\$ 8,236,431</u>	<u>\$ 309,696</u>	<u>\$ 8,546,127</u>	<u>\$ 6,275,271</u>

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 17. Basic and Police Pension Plans – Fiduciary Information

As described in Note 12, the City offers Basic and Police Pension Plans to certain employees. As permitted by GASB No. 68, the pension-related assets, liabilities and other financial statement elements recorded in the accompanying basic financial statements for June 30, 2019 are based on a pension plan measurement date of June 30, 2018. This is consistent with other pension items arising from those employees that participate in the Virginia Retirement System (VRS); the VRS information reported in the current year is based on a June 30, 2018 measurement date. Therefore, all amounts summarized in Note 16 – Summary of Pension Elements, are based on a measurement date of June 30, 2018.

Because the City does not issue a separate financial report for the Basic and Police Pension plans, the City must also report certain information for those plans as of and for the year ended June 30, 2019, the most recent measurement date for those plans. This information is disclosed below in this footnote. Exhibits 11 and 12, as well as certain required supplementary information that follows the notes to the financial statements, also report fiduciary information regarding these plans as of June 30, 2019.

As discussed in Note 12, the City's Basic Pension plan is a cost sharing plan which also includes employees of the Northern Virginia Criminal Justice Training Academy; the amounts below are for the plan as a whole.

Summary of Significant Accounting Policies

The fiduciary financial statements of the Basic and Police Pension Plans are prepared using the accrual basis of accounting. Plan contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on June 30. Securities without an established market are reported at estimated fair value.

Member and employee contributions to the Plans are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due in accordance with the terms of the Plans.

Plan Description

The City's membership in the Basic and Police Pension Plans as of June 30, 2019, the date of the most recent valuation, were as follows:

	<u>Basic</u>	<u>Police</u>
Retirees and beneficiaries	258	30
Terminated vested members	87	10
Active members	<u>277</u>	<u>32</u>
Total	<u><u>622</u></u>	<u><u>72</u></u>

(Continued)

CITY OF FALLS CHURCH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 17. Basic and Police Pension Plans – Fiduciary Information (Continued)

Contributions

For 2019, the total contribution rate was 1.59% of annual covered payroll for the Basic Pension Plan, with employees contributing 5.0% and the City contributing 1.59%. The total contribution rate was 10.77% for the Police Pension Plan, with employees contributing 7.0% and the City contributing 10.77%. Other contribution information for 2019 is disclosed in Note 12.

Investments

Refer to Note 4 for the City's policy in regard to the allocation of invested assets.

The following investments, other than those issued or explicitly guaranteed by the U.S. government, represent 5 percent or more of the Basic Pension Plan's fiduciary net position:

<u>Investment</u>	<u>Market Value</u>	<u>Percent of Net Position</u>
MFS Growth (US Bank)	\$22,916,163	20.28%
MFS International Growth Fund (US Bank)	\$8,467,407	7.49%
TIF International Equity Series	\$8,038,500	7.11%
MFB NT Collective Aggregate Bond Index	\$7,284,385	6.45%
MFB NT Collective Intermediate Government	\$7,284,385	6.40%
Lazard Global (US Bank)	\$6,858,290	6.07%
Principal MidCap (I)	\$6,202,068	5.49%

The following investments, other than those issued or explicitly guaranteed by the U.S. government, represent 5 percent or more of the Police Pension Plan's fiduciary net position:

<u>Investment</u>	<u>Market Value</u>	<u>Percent of Net Position</u>
MFS Growth (US Bank)	\$7,543,866	20.77%
MFS International Growth Fund (US Bank)	\$2,679,973	7.38%
TIF International Equity Series	\$2,596,152	7.12%
MFB NT Collective Aggregate Bond Index	\$2,179,796	6.00%
MFB NT Collective Intermediate Government	\$2,165,842	5.97%
Principal MidCap (I)	\$1,914,185	5.27%
Lazard Global (US Bank)	\$1,835,206	5.06%

For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.36 percent for the basic plan and 6.48 percent for the police plan. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 17. Basic and Police Pension Plans – Fiduciary Information (Continued)

Net Pension Asset

The components of the net pension asset of the Plans at June 30, 2019, were as follows:

	Basic	Police
Total pension liability	\$ 94,843,975	\$ 29,541,700
Plan fiduciary net position	112,665,236	36,172,809
Plan's net pension asset	<u>\$ (17,821,261)</u>	<u>\$ (6,631,109)</u>
Plan fiduciary net position as a percentage of the total pension liability	118.79%	122.45%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2019, using the following relevant actuarial information:

	Basic	Police
Actuarial valuation date	June 30, 2019	June 30, 2019
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar Amount, Open	Level Dollar Amount, Open
Amortization period	10 years	15 years
Actuarial assumptions:		
Investment rate of return	7.00%	7.00%
Projected salary increases	4.50%	4.50%
Cost of living adjustments	1.375%	1.375%
Inflation	2.75%	2.75%

The Basic and Police Plans use the RP-2006 generationally projected with Scale MP-2017.

The investment rate of return on pension plan investments was determined using the actual rates of return for the past ten years.

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 17. Basic and Police Pension Plans – Fiduciary Information (Continued)

Sensitivity of the Net Pension Liability (Asset)

The following presents the net pension liability (asset) of the Basic and Police plans as of June 30, 2019, calculated using the discount rate of 7.00%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Basic Plan			
Net pension liability (asset)	\$ (6,769,740)	\$ (17,821,261)	\$ (27,070,31)
Plan fiduciary net position as a percentage of the total pension liability	106.0%	118.7%	132.0%
Police Plan			
Net pension liability (asset)	\$ (2,900,518)	\$ (6,631,109)	\$ (9,731,948)
Plan fiduciary net position as a percentage of the total pension liability	108.7%	122.45%	136.0%

Note 18. Other Postemployment Benefits Liability – Virginia Retirement System Plans

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the City also participates in various cost-sharing and agent multi-employer other postemployment benefit plans, described as follows.

Plan Descriptions

Group Life Insurance Program

All full-time teachers and employees of political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

In addition to the Basic Group Life Insurance Benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

Specific information for the GLI is available at <https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp>.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 18. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Plan Descriptions (Continued)

Teacher Employee Health Insurance Credit Program

All full time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee Health Insurance Credit (HIC) Program. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

Specific information about the Teacher HIC is available at <https://www.varetire.org/retirees/insurance/healthinscredit/index.asp>

The GLI and Teacher HIC are administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Both of these plans are considered multiple employer, cost sharing plans.

Line of Duty Act Program

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the VRS are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the VRS is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in 2012. The employer contributions are determined by the VRS actuary using anticipated program costs and the number of covered individuals associated with all participating employers. The LODA is considered a multiple employer, cost sharing plan.

Specific information about the LODA is available at <https://www.valoda.org/>.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 18. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2017. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	<i>Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.</i>
Total rate:	1.31% of covered employee compensation. Rate allocated 60/40; 0.79% employee and 0.52% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2019 Contribution- City	\$7,000
June 30, 2018 Contribution- City	\$7,000
June 30, 2019 Contribution- Schools	\$144,000
June 30, 2018 Contribution- Schools	\$135,000

Teacher Health Insurance Credit Program

Governed by:	<i>Code of Virginia 51.1-1401(E) and may be impacted as a result of funding provided to school divisions by the Virginia General Assembly.</i>
Total rate:	1.20% of covered employee compensation.
June 30, 2019 Contribution	\$336,000
June 30, 2018 Contribution	\$317,000

Line of Duty Act Program

Governed by:	<i>Code of Virginia 9-1-400.1 and may be impacted as a result of funding provided to governmental agencies by the Virginia General Assembly.</i>
Total rate:	\$705.77 per covered full-time-equivalent employee. Based on pay-as-you-go funding rate.
June 30, 2019 Contribution	\$40,000
June 30, 2018 Contribution	\$34,000

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 18. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

The net OPEB liabilities were measured as of June 30, 2018 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations as of that date. The covered employer's proportion of the net OPEB liabilities, except for LODA, were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. LODA proportion was determined based on pay-as-you-go employer contributions instead of actuarially determined contributions.

Group Life Insurance Program- City

June 30, 2019 proportionate share of liability	\$105,000
June 30, 2018 proportion	0.00694 %
June 30, 2017 proportion	0.00740 %
June 30, 2019 expense	\$0

Group Life Insurance Program- Schools

June 30, 2019 proportionate share of liability	\$2,068,000
June 30, 2018 proportion	0.13619 %
June 30, 2017 proportion	0.13863 %
June 30, 2019 expense	\$8,000

Teacher Health Insurance Credit Program

June 30, 2019 proportionate share of liability	\$4,043,000
June 30, 2018 proportion	0.31847 %
June 30, 2017 proportion	0.32236 %
June 30, 2019 expense	\$319,000

Line of Duty Act Program

June 30, 2019 proportionate share of liability	\$989,000
June 30, 2018 proportion	0.31561 %
June 30, 2017 proportion	0.29065 %
June 30, 2019 expense	\$92,000

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amount from changes in proportion.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 18. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB (Continued)

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program- City

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,000	\$ 3,000
Change in assumptions	-	4,000
Net difference between projected and actual earnings on OPEB plan investments	-	3,000
Changes in proportion and contribution differences	-	7,000
Employer contributions subsequent to the measurement date	7,000	-
Total	<u>\$ 12,000</u>	<u>\$ 17,000</u>

Group Life Insurance Program- Schools

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 101,000	\$ 38,000
Change in assumptions	-	86,000
Net difference between projected and actual earnings on OPEB plan investments	-	67,000
Changes in proportion and contribution differences	-	35,000
Employer contributions subsequent to the measurement date	144,000	-
Total	<u>\$ 245,000</u>	<u>\$ 226,000</u>

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 18. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB (Continued)

Teacher Health Insurance Credit Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ -	\$ 21,000
Change in assumptions	-	35,000
Net difference between projected and actual earnings on OPEB plan investments	-	3,000
Changes in proportion and contribution differences	-	63,000
Employer contributions subsequent to the measurement date	336,000	-
Total	<u>\$ 336,000</u>	<u>\$ 122,000</u>

Line of Duty Act Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 142,000	\$ (1,000)
Change in assumptions	-	114,000
Net difference between projected and actual earnings on OPEB plan investments	-	3,000
Changes in proportion and contribution differences	95,000	-
Employer contributions subsequent to the measurement date	40,000	-
Total	<u>\$ 227,000</u>	<u>\$ 116,000</u>

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 18. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB (Continued)

The deferred outflows of resources related to OPEB resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Group Life Insurance Program- City

<u>Year Ending June 30,</u>	<u>Increase (Reduction) to OPEB Expense</u>
2020	\$ (3,000)
2021	(3,000)
2022	(3,000)
2023	(2,000)
2024	(1,000)
Thereafter	-

Group Life Insurance Program- Schools

<u>Year Ending June 30,</u>	<u>Increase (Reduction) to OPEB Expense</u>
2020	\$ (37,000)
2021	(37,000)
2022	(37,000)
2023	(17,000)
2024	-
Thereafter	3,000

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 18. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB (Continued)

Teacher Health Insurance Credit Program

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2020	\$ (22,000)
2021	(22,000)
2022	(22,000)
2023	(20,000)
2024	(20,000)
Thereafter	(16,000)

Line of Duty Act Program

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2020	\$ 16,000
2021	16,000
2022	16,000
2023	16,000
2024	16,000
Thereafter	41,000

(Continued)

CITY OF FALLS CHURCH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 18. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2017, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018:

Inflation	2.5%
Salary increases, including inflation:	
• Locality- general employees	3.5 – 5.35%
• Locality – hazardous duty employees	
• Teachers	3.5 – 4.75%
	3.5 – 5.95%
Healthcare cost trend rates:	
• Under age 65	7.75 – 5.00%
• Ages 65 and older	5.75 – 5.00%

Investment rate of return, net of expenses, including inflation*	GLI & HIC: 7.0%; LODA 3.89%
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- * Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment rate for GASB purposes of slightly more than the assumed percent above. However, since the difference was minimal, and a more conservative investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be the percent noted above to simplify preparation of OPEB liabilities.

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 14.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 18. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program	Teacher Employee HIC OPEB Plan	Line of Duty Act Program
Total OPEB Liability	\$ 3,113,508	\$ 1,381,313	\$ 315,395
Plan fiduciary net position	1,594,773	111,639	1,889
Employers' net OPEB liability (asset)	\$ 1,518,735	\$ 1,269,674	\$ 313,506
Plan fiduciary net position as a percentage of total OPEB liability	51.22%	8.08%	0.60%

The total liability is calculated by the VRS actuary and each plan's fiduciary net position is reported in the VRS financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the VRS notes to the financial statements and required supplementary information.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 18. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Long-Term Expected Rate of Return

Group Life Insurance and Health Insurance Credit Programs

The long-term expected rate of return on VRS investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	40.00 %	4.54 %	1.82 %
Fixed Income	15.00	0.69	0.10
Credit Strategies	15.00	3.96	0.59
Real Assets	15.00	5.76	0.86
Private Equity	15.00	9.53	1.43
Total	100.00 %		<u>4.80 %</u>
	Inflation		<u>2.50 %</u>
	*Expected arithmetic nominal return		<u>7.30 %</u>

- * The above allocation provides for a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.5%.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 18. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Long-Term Expected Rate of Return (Continued)

Line of Duty Act Program

The long-term expected rate of return on the LODA Program's investments was set at 3.89% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS pooled investments 7.00% assumption noted above. Instead, the assumed annual rate of return of 3.89% was used since it approximates the risk-free rate of return. The Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index published by the Board of Governors of the Federal Reserve System as of the measurement date of June 30, 2018.

Discount Rate

The discount rate used to measure the GLI and HIC OPEB liabilities was 7.00%. The discount rate used to measure the LODA OPEB liability was 3.89%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liabilities of the City, as well as what the City's net OPEB liabilities would be if it were calculated using a discount rate that is one percentage point lower (6.00% HIC; GLI/2.89% LODA) or one percentage point higher (8.00% HIC; GLI/4.89% LODA) than the current discount rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
GLI Net OPEB liability- City	\$ 137,000	\$ 105,000	\$ 79,000
GLI Net OPEB liability- Schools	\$ 2,703,000	\$ 2,068,000	\$ 1,553,000
Teacher HIC Net OPEB liability	\$ 4,516,000	\$ 4,043,000	\$ 3,641,000
	(2.89 %)	(3.89 %)	(4.89 %)
LODA Net OPEB liability	\$ 1,134,000	\$ 989,000	\$ 873,000

(Continued)

CITY OF FALLS CHURCH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 18. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Sensitivity of the LODA Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

Because the Line of Duty Act Program (LODA) contains provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the LODA net OPEB liability of the City using health care trend rate of 7.75% decreasing to 5.00%, as well as what the City's LODA net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.75% decreasing to 4.00%) or one percentage point higher (8.75% decreasing to 6.00%) than the current healthcare cost trend rates:

	1.00% Decrease (6.75% decreasing to 4.00%)	Current Healthcare Cost Trend Rates (7.75% decreasing to 5.00%)	1.00% Increase (8.75% decreasing to 6.00%)
Net LODA OPEB liability	<u>\$ 843,000</u>	<u>\$ 989,000</u>	<u>\$ 1,172,000</u>

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2019, the following amounts were payable to the Virginia Retirement System for the legally required contributions related to June 2019 payroll.

- Group Life Insurance \$35,000
- Teacher Employee Health Insurance Credit \$32,000

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 19. Other Post-employment Benefits- Local Plan

Plan Description

The City provides post-employment health care insurance benefits for employees who are eligible for retirement benefits and who retire from the City under City Council resolution number 82-20. There is no provision for deferral of benefits for employees who separate from City employment without retiring. The School Board also provides post-employment health insurance benefits for eligible retirees. Two irrevocable trust funds were established in 2007 by action of City Council for purposes of accumulating and accounting for assets necessary to fund the City's and the School Board's future obligations for other post-employment benefits. The trust fund is administered by the Pension Board. The plans do not issue separate financial statements.

Summary of Significant Accounting Policies

Employer contributions to the plan are recognized when due and the City has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on June 30. Securities without an established market are reported at estimated fair value.

Plan Descriptions and Contribution Information

The City and School Board OPEB plans are single-employer defined benefit post-employment healthcare plans that cover retired City and School Board employees. The City pays up to one-half of the health insurance premiums for employees hired before April 1, 2008. For employees hired on or after April 1, 2008 who complete at least ten years of service, the City pays 2% of the premium for each year of service up to a maximum of 50%. The School Board pays up to forty percent of the health insurance premiums of School Board employees depending on years of service and/or date of hire. The City Council and the School Board have the authority to change these benefits.

Membership in the plan consisted of the following at July 1, 2018, the date of the latest actuarial valuation:

	<u>City</u>	<u>Schools</u>
Retirees with medical coverage	113	34
Retirees with life coverage	165	45
Active members	188	463

Net OPEB Liability

The City's total net OPEB liability of \$658,177 and the School's net OPEB asset of \$1,965,531 were measured as of June 30, 2018 and were determined by an actuarial valuation performed as of July 1, 2018.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 19. Other Post-employment Benefits- Local Plan (Continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

	City and Schools
Actuarial valuation date	July 1, 2016
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay Closed
Remaining Amortization period	20 years
Asset valuation method	Market Value
Actuarial assumptions:	
Rate of general wage increase	2.75%
Investment rate of return	7.00%
Healthcare cost trend:	3.00% - 8.00%
Pre-Medicare	5.00% - 9.00%
Medicare	5.00% - 6.75%

Long-Term Expected Rate of Return

The most recent actuarial valuation of July 1, 2018 showed that the projected assets are expected to cover future benefit payments for current participants and as such, the single rate used as the discount rate is the long-term expected rate of return at 7.00%.

Discount Rate

The discount rate used to measure the net OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that City and School contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 19. Other Post-employment Benefits- Local Plan (Continued)

Changes in Net OPEB Liability (Asset)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
City Plan			
Balances at June 30, 2017	\$ 8,573,551	\$ 7,021,191	\$ 1,552,360
Changes for the year:			
Service cost	187,579	-	187,579
Interest	586,842	-	586,842
Differences between expected and actual experience	(392,413)	-	(392,413)
Changes in assumptions	72,449		72,449
Contributions – employer	-	584,118	(584,118)
Net investment income	-	766,243	(766,243)
Benefit payments	(574,301)	(574,301)	-
Administrative expenses	-	(1,721)	1,721
Net changes	(119,844)	774,339	(894,183)
Balances at June 30, 2018	\$ 8,453,707	\$ 7,795,530	\$ 658,177
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) – (b)
School Plan			
Balances at June 30, 2017	\$ 3,600,075	\$ 4,871,911	\$ (1,271,836)
Changes for the year:			
Service cost	199,960	-	199,960
Interest	253,991	-	253,991
Differences between expected and actual experience	(510,811)	-	(510,811)
Changes in assumptions	63,998	-	63,998
Contributions – employer	-	225,027	(225,027)
Net investment income	-	476,993	(476,993)
Benefit payments	(142,248)	(142,248)	-
Administrative expenses	-	(1,187)	1,187
Net changes	(135,110)	558,585	(693,695)
Balances at June 30, 2018	\$ 3,464,965	\$ 5,430,496	\$ (1,965,531)

(Continued)

CITY OF FALLS CHURCH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 19. Other Post-employment Benefits- Local Plan (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City and School, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current discount rate:

	<u>1.00% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1.00% Increase (8.00%)</u>
Net OPEB liability- City	\$ 1,660,977	\$ 658,177	\$ (175,929)
Net OPEB liability- Schools	(1,388,606)	(1,965,531)	(2,428,325)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the City and Schools, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	<u>1.00% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1.00% Increase</u>
Net OPEB liability- City	\$ (100,545)	\$ 658,177	\$ 1,544,053
Net OPEB liability- Schools	(2,389,787)	(1,965,531)	(1,446,654)

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in Note 21.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 19. Other Post-employment Benefits- Local Plan (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the City and Schools recognized OPEB expense (income) of \$47,924 and \$(35,442), respectively. At June 30, 2019, the City and Schools reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	City	Schools	City	Schools
Differences between expected and actual experience	\$ -	\$ -	\$ 294,310	\$ 437,838
Changes in assumptions	54,377	54,855	-	-
-Net difference between projected and actual earnings on OPEB plan investments	-	-	524,291	275,361
Employer contributions subsequent to the measurement date	383,145	103,221	-	-
	<u>\$ 437,522</u>	<u>\$ 158,076</u>	<u>\$ 818,601</u>	<u>\$ 713,199</u>

Employer contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Increase (Decrease) to Pension Expense	
	City	Schools
2020	\$ (236,456)	\$ (146,739)
2021	(236,456)	(146,739)
2022	(236,456)	(146,741)
2023	(54,856)	(90,462)
2024	-	(63,830)
Thereafter	-	(63,833)

(Continued)

CITY OF FALLS CHURCH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 20. Summary of Other Postemployment Benefits Elements

A summary of the OPEB-related financial statement elements is as follows:

	Governmental Activities	Business-Type Activities	Total Primary Government	School Board
Net OPEB asset				
Local Plan	\$ -	\$ -	\$ -	\$ 1,965,531
Total net OPEB asset	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,965,531</u>
Deferred outflows of resources				
Differences between expected and actual experience –				
VRS – Group Life Insurance	\$ 5,000	\$ -	\$ 5,000	\$ 101,000
VRS – LODA	142,000	-	142,000	-
Change in proportion – VRS – LODA	95,000	-	95,000	-
Change in assumptions – Local Plan	51,749	2,588	54,377	54,855
OPEB contributions subsequent to measurement date-				
Local Plan	368,008	15,137	383,145	103,221
VRS – Group Life Insurance	7,000	-	7,000	144,000
VRS – LODA	40,000	-	40,000	-
VRS – Teacher Health Insurance Credit	-	-	-	336,000
Total deferred outflows of resources	<u>\$ 708,757</u>	<u>\$ 17,725</u>	<u>\$ 726,482</u>	<u>\$ 739,076</u>
Net OPEB liability				
Local Plan	\$ 626,833	\$ 31,344	\$ 658,177	\$ -
VRS – Group Life Insurance	105,000	-	105,000	2,068,000
VRS – LODA	989,000	-	989,000	-
VRS – Teacher Health Insurance Credit	-	-	-	4,043,000
Total net OPEB liability	<u>\$ 1,720,833</u>	<u>\$ 31,344</u>	<u>\$ 1,752,177</u>	<u>\$ 6,111,000</u>
Deferred inflows of resources				
Differences between expected and actual experience –				
Local Plan	\$ 280,294	\$ 14,016	\$ 294,310	\$ 437,838
VRS – Group Life Insurance	3,000	-	3,000	38,000
VRS – LODA	(1,000)	-	(1,000)	-
VRS – Teacher Health Insurance Credit	-	-	-	21,000
Net difference between projected and actual earnings on plan investments -				
Local Plan	499,323	24,968	524,291	275,361
VRS – Group Life Insurance	3,000	-	3,000	67,000
VRS – LODA	3,000	-	3,000	-
VRS – Teacher Health Insurance Credit	-	-	-	3,000
Change in assumptions –				
VRS – Group Life Insurance	4,000	-	4,000	86,000
VRS – LODA	114,000	-	114,000	-
VRS – Teacher Health Insurance Credit	-	-	-	35,000
Change in proportion –				
VRS – Group Life Insurance	7,000	-	7,000	35,000
VRS – Teacher Health Insurance Credit	-	-	-	63,000
Total deferred inflows of resources	<u>\$ 912,617</u>	<u>\$ 38,984</u>	<u>\$ 951,601</u>	<u>\$ 1,061,199</u>

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 21. OPEB Plan – Fiduciary Information

Summary of Significant Accounting Policies

The fiduciary financial statements of the OPEB Plan are prepared using the accrual basis of accounting. Plan contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on June 30. Securities without an established market are reported at estimated fair value.

Member and employee contributions to the Plans are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due in accordance with the terms of the Plans.

Plan Description

The City's membership in the Plan as of June 30, 2019, the date of the most recent valuation, was as follows:

	<u>City</u>	<u>Schools</u>
Retirees and beneficiaries	188	77
Active members	188	463
Total	<u>376</u>	<u>540</u>

Contributions

For 2019, the total contribution rate was 3.98% and 0.35% of annual covered payroll for City and Schools, respectively. Other contribution information for 2019 is disclosed in Note 19.

Investments

Refer to Note 4 for the City's policy in regard to the allocation of invested assets.

The following investments, other than those issued or explicitly guaranteed by the U.S. government, represent 5 percent or more of the OPEB Plan's fiduciary net position:

<u>Investment</u>	<u>Market Value</u>	<u>Percent of Net Position</u>
Large-cap Index Fund Adm (Vanguard)	\$6,858,718	43.26%
Short-term Bond Index Adm (Vanguard)	\$3,062,773	19.32%
Developing Markets Idx Admiral (Vanguard)	\$2,245,422	14.16%
Mid-Cap Index Fund Adm (Vanguard)	\$1,308,393	8.25%
Small-cap Index Fund Adm (Vanguard)	\$1,280,179	8.08%

For the year ended June 30, 2019, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 6.34 percent for the City and Schools plans. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 21. OPEB Plan – Fiduciary Information (Continued)

Net OPEB Liability

The components of the net OPEB liability (asset) of the Plan at June 30, 2019, were as follows:

	<u>City</u>	<u>Schools</u>
Total OPEB liability	\$ 6,778,700	\$ 3,290,551
Plan fiduciary net position	8,370,880	5,759,981
Plan's net OPEB liability (asset)	<u>\$ (1,592,180)</u>	<u>\$ (2,469,430)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	123.49%	175.05%

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019, using the following relevant actuarial information:

	<u>City and Schools</u>
Actuarial valuation date	June 30, 2018
Actuarial cost method	Entry Age Normal
Asset valuation method	Market Value
Amortization method	Level Percentage of pay, closed
Amortization period	30 years
Actuarial assumptions:	
Discount rate	7.00%
Healthcare Cost Trend Rates:	3.00% - 8.00%

The discount rate used to measure the total OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 21. OPEB Plan – Fiduciary Information (Continued)

Sensitivity of the Net OPEB Liability (Asset)

The following presents the net OPEB liability (asset) as of June 30, 2019, calculated using the discount rate of 7.00%, as well as what the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

	<u>1% Decrease 6.00%</u>	<u>Discount Rate 7.00%</u>	<u>1% Increase 8.00%</u>
City Plan			
Net OPEB liability (asset)	\$ (915,249)	\$ (1,592,180)	\$ (2,164,340)
Plan fiduciary net position as a percentage of the total OPEB liability	112.3%	123.5%	134.9%
School Plan			
Net OPEB liability (asset)	\$ (2,053,670)	\$ (2,469,430)	\$ (2,815,407)
Plan fiduciary net position as a percentage of the total OPEB liability	155.4%	175.0%	195.6%

The following presents the net OPEB liability (asset), calculated using healthcare cost trend rates described in the assumptions above, as well as what the net OPEB liability (asset) would be if it were calculated using rates that are 1-percentage-point lower or 1-percentage point higher than the current rates:

	<u>1% Decrease</u>	<u>Healthcare Trend</u>	<u>1% Increase</u>
City Plan			
Net OPEB liability (asset)	\$ (2,122,515)	\$ (1,592,180)	\$ (962,189)
Plan fiduciary net position as a percentage of the total OPEB liability	134.0%	123.5%	113.0%
School Plan			
Net OPEB liability (asset)	\$ (2,829,058)	\$ (2,469,430)	\$ (2,034,992)
Plan fiduciary net position as a percentage of the total OPEB liability	196.5%	175.0%	154.6%

(Continued)

CITY OF FALLS CHURCH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 22. Risk Management

The City participates in the Commonwealth of Virginia's Law Enforcement Liability Plan, called VARisk2, operated by the Division of Risk Management of the Commonwealth's Department of General Services. It was created in accordance with Sec. 2.1-526.8:1 of the Code of Virginia, which says that the State shall have the right and duty to defend any suit seeking damages or compensation against the City's officials and employees on account of wrongful acts even if any of the allegations of the suits are groundless, false, or fraudulent and may make investigation and settlement of any claims or suit as deemed expedient. The limits of VA Risk2 coverage are \$1,000,000 per claim.

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance through the Virginia Risk Sharing Association (VRSA, formerly known as the Virginia Municipal Liability Insurance Program). The City also carries workers' compensation insurance through VRSA. This program is administered by a servicing contractor, which furnishes claims review and processing services. Each member jointly and severally agrees to assume, pay and discharge any liability. The City pays VRSA contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion, which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The School Board carries commercial insurance through the VRSA for property, casualty, general liability, and automobile coverage. Errors and omissions coverage are provided through the VaRISK 2 pool. Settled claims from these risks have not exceeded commercial coverage in any of the last three fiscal years.

Note 23. Self-Insurance

City and School employees are covered by a professionally administered risk sharing program which provides health coverage for employees of the City and Schools on a cost-reimbursement basis. Dependents are covered by the program provided they pay a premium to the City and Schools. Under the program, health insurance claims are separately rated from other groups, and the City and School claims experience is factored into the premiums assessed in subsequent periods. However, gains and losses resulting from the City and School claims experience is not settled directly with the City and Schools, but instead is shared by the pool. If the City and Schools were to exit the risk pool, it could be assessed a settlement charge that would not exceed any net loss resulting from the City and School's most recent year's claims experience. The City and Schools have no plans to exit the pool.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 24. Prior Period Restatement

The City contracts with Fairfax County Water Authority to bill and collect for its sanitary sewer services. Fairfax Water also bills for sewer services of Fairfax County. In the current year, it was discovered two sanitary sewer accounts were improperly attributed to the City by Fairfax County Water Authority that should have been attributed to Fairfax County. In order to properly account for these changes, as of July 1, 2018, the City has decreased receivables in the sanitary sewer fund.

The following is a summary of the restatements to net position:

	<u>Sanitary Sewer Fund</u>
Net position, June 30, 2018, as previously stated	\$ 22,090,544
Fairfax County Sanitary Sewer allocation	<u>(120,337)</u>
Net position, June 30, 2018, as restated	\$ <u><u>21,970,207</u></u>

CITY OF FALLS CHURCH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 25. Fund Balances

Fund Balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds.

	General Fund	Other Governmental Funds
Nonspendable:		
Prepays	\$ 43,548	\$ -
Inventories	124,828	-
Total nonspendable	<u>168,376</u>	<u>-</u>
Restricted for:		
Capital projects	205,032	21,679,457
Grants	121,434	-
Special transportation	-	53,983
Total restricted	<u>326,466</u>	<u>21,733,440</u>
Committed to:		
Capital projects	11,118,999	-
Future development costs	888,000	-
Affordable housing	-	424,426
Special transportation	354,700	2,327,120
Total committed	<u>12,361,699</u>	<u>2,751,546</u>
Assigned to:		
Capital reserve	5,073,794	-
Total assigned	<u>5,073,794</u>	<u>-</u>
Unassigned	<u>16,274,836</u>	<u>-</u>
Total fund balance	<u>\$ 34,205,171</u>	<u>\$ 24,484,986</u>

(Continued)

CITY OF FALLS CHURCH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 26. Tax Abatement Programs

Section 40-352 to 40-360 of the City Code provides for the partial exemption of real estate taxes for rehabilitated commercial properties that meet certain eligibility criteria. These criteria include: (1) the structure must be no less than 20 years of age; (2) the structure must be substantially rehabilitated or renovated such that the assessed value of the structure is increased by no less than 100 percent over its assessed value on the date of the application, or replaced resulting in an increase or improvement of at least 10,000 square feet of office space by adding new office space, renovating or rehabilitating existing office space, or converting other uses to office space; (3) the structure must not contain residential rental units, condominium units, townhouses, or a single-family attached unit; and (4) the rehabilitation, renovation or replacement must be the result of a single project with all work undertaken pursuant to a single building permit or combination of permits issued within a 60-day period and completed within 24 months from the date the initial construction permit was issued. The partial exemption shall be the amount of real estate taxes resulting from the increase in assessed value attributable to the substantial rehabilitation, renovation, or replacement of the structure and will be applicable to subsequent assessments commencing on January 1 of the year following completion of the rehabilitation, renovation or replacement. 100% of the partial exemption shall be applicable for the first five years and 50% shall be applicable for the next five years. In FY2019, no properties were eligible for this exemption.

In 2008, the City and the Falls Church Economic Development Authority (EDA) entered into an Economic Development Agreement (“Agreement”) with 6607 Wilson Retail, LLC (Developer). The Agreement provides that the City shall share tax revenues generated from the opening of the Retail Center to be developed and constructed by 6607 Wilson Retail LLC in the following manner: (1) The City shall retain the first \$450,000 in local tax revenue generated by or from the Retail Center each year for the 12 full fiscal years of operation following the opening of the Retail Center; (2) the City shall receive up to an additional \$250,000 in a dollar-for-dollar sharing of local tax revenue in a band of revenue achieved the Retail Center and site between \$450,001 and \$950,000 each year; (3) the Developer shall receive up to \$250,000 in a dollar-for-dollar sharing of Local Tax Revenue in a band of revenue achieved the Retail Center and site between \$450,001 and \$950,000 each year; and (4) the City shall retain all local tax revenue generated by the retail center and site above \$950,000 in each year. The payments to the Developer began in FY2012 and will end in FY2023. In FY2019, the City paid \$250,000 of local tax revenues generated by the Retail Center and site with the Developer.

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 27. Subsequent Events

On November 7, 2019, City Council approved the sale of \$119,550,000 in General Obligation Bonds. The proceeds will primarily be used to finance the construction of the George Mason High School, and the renovation and expansion of the Mary Riley Styles Public Library. Of the proceeds, \$20 million will be used to refund the 2019 General Obligation Note Series A mentioned in Note 10.

Note 28. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective.

The GASB issued **Statement No. 84**, *Fiduciary Activities* in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018.

The GASB issued **Statement No. 87**, *Leases* in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019.

The GASB issued **Statement No. 90**, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61* in August 2018. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 28. New Accounting Standards (Continued)

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

The GASB issued **Statement No. 91, *Conduit Debt Obligations*** in May 2019. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF FALLS CHURCH, VIRGINIA

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS -
BASIC PENSION PLAN
For the Year Ended June 30, 2019**

	Measurement Dates - Plan Year					
	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability						
Service Cost	\$ 1,508,663	\$ 1,508,277	\$ 1,597,442	\$ 1,539,198	\$ 1,605,981	\$ 1,477,682
Interest (includes interest on service cost)	6,397,092	6,184,236	6,139,726	5,773,189	5,618,010	5,662,883
Differences between expected and actual experience	(260,268)	1,069,324	(1,068,167)	(595,377)	(523,443)	(1,621,231)
Changes of assumptions	-	(521,422)	(1,009,938)	3,155,541	-	4,182,659
Benefit payments, including refunds of member contributions	(5,359,765)	(5,040,218)	(4,827,875)	(4,561,229)	(4,272,618)	(5,883,600)
Net change in total pension liability	2,285,722	3,200,197	831,188	5,311,322	2,427,930	3,818,393
Total pension liability - beginning	<u>92,558,253</u>	<u>89,358,056</u>	<u>88,526,868</u>	<u>83,215,546</u>	<u>80,787,616</u>	<u>76,969,223</u>
Total pension liability - ending	<u>\$ 94,843,975</u>	<u>\$ 92,558,253</u>	<u>\$ 89,358,056</u>	<u>\$ 88,526,868</u>	<u>\$ 83,215,546</u>	<u>\$ 80,787,616</u>
Plan fiduciary net position						
Contributions - employer	\$ 251,480	\$ 1,257,789	\$ 1,160,820	\$ 1,972,956	\$ 8,345,532	\$ 4,021,770
Contributions - member	773,972	759,047	755,822	789,920	724,853	727,295
Net investment income	7,204,502	13,225,934	13,427,809	507,418	3,081,767	11,795,982
Benefit payments, including refunds of member contributions	(5,359,765)	(5,040,218)	(4,827,875)	(4,561,229)	(4,272,618)	(5,883,600)
Administrative expenses	(42,261)	(53,716)	(70,173)	(77,649)	(70,902)	(58,740)
Net change in plan fiduciary net position	2,827,928	10,148,836	10,446,403	(1,368,584)	7,808,632	10,602,707
Plan fiduciary net position - beginning	<u>109,837,308</u>	<u>99,688,472</u>	<u>89,242,069</u>	<u>90,610,653</u>	<u>82,802,021</u>	<u>72,199,314</u>
Plan fiduciary net position - ending	<u>\$ 112,665,236</u>	<u>\$ 109,837,308</u>	<u>\$ 99,688,472</u>	<u>\$ 89,242,069</u>	<u>\$ 90,610,653</u>	<u>\$ 82,802,021</u>
Net pension liability (asset) - ending	<u>\$ (17,821,261)</u>	<u>\$ (17,279,055)</u>	<u>\$ (10,330,416)</u>	<u>\$ (715,201)</u>	<u>\$ (7,395,107)</u>	<u>\$ (2,014,405)</u>
Plan fiduciary net position as a percentage of total pension liability	118.79%	118.67%	111.56%	100.81%	108.89%	102.49%
Covered employee payroll	<u>\$ 15,859,634</u>	<u>\$ 15,180,552</u>	<u>\$ 15,111,938</u>	<u>\$ 15,023,723</u>	<u>\$ 15,023,723</u>	<u>\$ 13,776,586</u>
Net pension liability (asset) as a percentage of covered employee payroll	-112.37%	-113.82%	-68.36%	-4.76%	-49.22%	-14.62%

Notes to Schedule:

Data will be presented from the time GASB 67 was first implemented in fiscal year 2014 until 10 years of trend data is achieved. Reporting dates are one year subsequent to the measurement dates.

Changes of assumptions. In 2014, the rate of investment return was lowered from 7.50% to 7.00%.

CITY OF FALLS CHURCH, VIRGINIA

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS -
POLICE PENSION PLAN
For the Year Ended June 30, 2019**

	Measurement Dates - Plan Year					
	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability						
Service Cost	\$ 638,468	\$ 644,642	\$ 647,878	\$ 550,412	\$ 493,645	\$ 451,780
Interest (includes interest on service cost)	2,002,660	1,939,570	1,869,430	1,727,698	1,648,907	1,596,234
Differences between expected and actual experience	(500,341)	(407,298)	(140,892)	85,941	(57,083)	(162,138)
Changes of assumptions	-	(141,013)	(287,168)	609,562	-	1,319,923
Benefit payments, including refunds of member contributions	(1,140,083)	(1,116,820)	(1,051,184)	(1,041,507)	(991,773)	(958,185)
Net change in total pension liability	1,000,704	919,081	1,038,064	1,932,106	1,093,696	2,247,614
Total pension liability - beginning	28,540,996	27,621,915	26,583,851	24,651,745	23,558,049	21,310,435
Total pension liability - ending	\$ 29,541,700	\$ 28,540,996	\$ 27,621,915	\$ 26,583,851	\$ 24,651,745	\$ 23,558,049
Plan fiduciary net position						
Contributions - employer	\$ 309,263	\$ 625,820	\$ 600,676	\$ 751,332	\$ 3,593,989	\$ 625,670
Contributions - member	198,404	198,118	296,901	250,909	177,685	166,846
Net investment income	2,332,611	4,092,322	4,019,100	202,768	871,317	3,316,856
Benefit payments, including refunds of member contributions	(1,140,085)	(1,116,820)	(1,051,184)	(1,041,507)	(991,773)	(958,185)
Administrative expenses	(29,536)	(16,968)	(21,978)	(27,185)	(22,126)	(19,151)
Net change in plan fiduciary net position	1,670,657	3,782,472	3,843,515	136,317	3,629,092	3,132,036
Plan fiduciary net position - beginning	34,502,152	30,719,680	26,876,165	26,739,848	23,110,756	19,978,720
Plan fiduciary net position - ending	\$ 36,172,809	\$ 34,502,152	\$ 30,719,680	\$ 26,876,165	\$ 26,739,848	\$ 23,110,756
Net pension liability (asset) - ending	\$ (6,631,109)	\$ (5,961,156)	\$ (3,097,765)	\$ (292,314)	\$ (2,088,103)	\$ 447,293
Plan fiduciary net position as a percentage of total pension liability	122.45%	120.89%	111.21%	101.10%	108.47%	98.10%
Covered employee payroll	\$ 2,872,324	\$ 2,830,258	\$ 2,713,990	\$ 2,542,578	\$ 2,542,578	\$ 2,351,051
Net pension liability (asset) as a percentage of covered employee payroll	-230.86%	-210.62%	-114.14%	-11.50%	-82.13%	19.03%

Notes to Schedule:

Data will be presented from the time GASB 67 was first implemented in fiscal year 2014 until 10 years of trend data is achieved. Reporting dates are one year subsequent to the measurement dates.

Changes of assumptions. In 2014, the rate of investment return was lowered from 7.50% to 7.00%.

CITY OF FALLS CHURCH, VIRGINIA

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS -
CONSTITUTIONAL OFFICERS PLAN
For the Year Ended June 30, 2019**

	Measurement Dates - Plan Year				
	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability					
Service Cost	\$ 126,438	\$ 113,858	\$ 115,519	\$ 125,830	\$ 115,154
Interest (includes interest on service cost)	312,070	307,203	273,085	255,657	239,734
Changes of assumptions	-	(99,592)	-	-	-
Differences between expected and actual experience	(364,497)	(33,717)	288,621	11,357	-
Benefit payments, including refunds of member contributions	(199,201)	(237,225)	(142,431)	(145,323)	(109,503)
Net change in total pension liability	(125,190)	50,527	534,794	247,521	245,385
Total pension liability - beginning	4,557,749	4,507,222	3,972,428	3,724,907	3,479,522
Total pension liability - ending	\$ 4,432,559	\$ 4,557,749	\$ 4,507,222	\$ 3,972,428	\$ 3,724,907
Plan fiduciary net position					
Contributions - employer	\$ 18,642	\$ 20,809	\$ 30,313	\$ 32,780	\$ 74,651
Contributions - member	62,844	65,328	66,058	59,345	59,778
Net investment income	395,513	595,283	85,110	216,702	645,679
Benefit payments, including refunds of member contributions	(199,201)	(237,225)	(142,431)	(145,323)	(109,503)
Administrative expenses	(3,444)	(3,521)	(3,080)	(3,022)	(3,389)
Other changes	(350)	(525)	-	-	-
Net change in plan fiduciary net position	274,004	440,149	35,970	160,482	667,216
Plan fiduciary net position - beginning	5,371,714	4,931,565	4,895,595	4,735,113	4,067,897
Plan fiduciary net position - ending	\$ 5,645,718	\$ 5,371,714	\$ 4,931,565	\$ 4,895,595	\$ 4,735,113
Net pension liability (asset) - ending	\$ (1,213,159)	\$ (813,965)	\$ (424,343)	\$ (923,167)	\$ (1,010,206)
Plan fiduciary net position as a percentage of total pension liability	127.37%	117.86%	109.41%	123.24%	127.12%
Covered employee payroll	\$ 1,266,107	\$ 1,364,445	\$ 1,344,074	\$ 1,086,779	\$ 1,196,317
Net pension liability (asset) as a percentage of covered employee payroll	-95.82%	-59.66%	-31.57%	-84.95%	-84.44%

Notes to Schedule:

Data will be presented from the time GASB 68 was first implemented in fiscal year 2015 until 10 years of trend data is achieved.
Measurement dates used are one year prior to the reporting date.

CITY OF FALLS CHURCH, VIRGINIA

SCHEDULE OF PENSION CONTRIBUTIONS
For the Year Ended June 30, 2019 and Five Years Prior

Entity Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
Basic Plan - Total Plan					
2019	\$ 251,480	\$ 251,480	\$ -	\$ 15,859,634	1.59 %
2018	1,263,956	1,257,789	6,167	15,180,552	8.29
2017	1,160,277	1,160,820	(543)	15,111,938	7.68
2016	1,972,956	1,972,956	-	15,023,723	13.13
2015	2,044,320	8,344,320	(6,300,000)	14,488,440	57.59
2014	1,920,456	4,021,770	(2,101,314)	13,776,586	29.19
Police Plan					
2019	\$ 309,263	\$ 309,263	-	\$ 2,872,324	10.77 %
2018	625,820	673,820	(48,000)	2,830,258	23.81
2017	624,490	600,676	23,814	2,713,990	22.13
2016	751,332	751,332	-	2,542,578	29.55
2015	693,989	3,593,989	(2,900,000)	2,538,363	141.59
2014	625,670	625,670	-	2,351,051	26.61
Constitutional Officers					
2019	\$ 14,607	\$ 14,607	\$ -	\$ 1,266,107	1.15 %
2018	19,111	19,111	-	1,319,818	1.45
2017	20,809	20,809	-	1,364,445	1.53
2016	45,257	45,257	-	1,344,074	3.37
2015	51,386	51,386	-	1,086,779	4.73
2014	74,651	74,651	-	1,196,317	6.24

Schedule is intended to show information for 10 years. Since 2014 was the first year for this presentation for pensions, no other data is available. However, additional years will be included as they become available. Reporting dates are one year later than the measurement dates.

CITY OF FALLS CHURCH, VIRGINIA

SCHEDULE OF PENSION AND LOCAL OPEB INVESTMENT RETURNS
For the Year Ended June 30, 2019 and Five Years Prior

	<u>Basic</u>	<u>Police</u>	<u>OPEB- City</u>	<u>OPEB- Schools</u>
Annual money-weighted rate of return, net of investment expense				
June 30, 2019	6.36%	6.48%	6.34%	6.37%
June 30, 2018	13.79%	13.71%	9.37%	9.37%
June 30, 2017	15.16%	14.92%	13.97%	13.88%
June 30, 2016	0.71%	0.88%	N/A	N/A
June 30, 2015	3.69%	3.59%	N/A	N/A
June 30, 2014	16.50%	16.73%	N/A	N/A

Schedule is intended to show information for 10 years. Since 2014 was the first year for this presentation for pensions and 2017 was the first year for OPEB, no other data is available. However, additional years will be included as they become available. Reporting dates are one year later than the measurement dates.

CITY OF FALLS CHURCH, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY (ASSET)
June 30, 2019

Reporting Date, Year Ended June 30	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
Basic Plan - City					
2019	72.33 %	\$ (12,497,198)	\$ 11,459,245	(109.06) %	118.70 %
2018	73.16	(7,558,096)	10,979,441	(68.84)	111.60
2017	73.00	(520,795)	11,056,426	(4.71)	100.81
2016	71.97	(5,322,577)	10,939,965	(48.65)	108.89
2015	72.91	(1,431,672)	10,420,367	(13.74)	102.43
Basic Plan - Schools					
2019	19.05 %	\$ (3,292,408)	\$ 2,994,367	(109.95) %	118.70 %
2018	18.13	(1,873,107)	2,892,552	(64.76)	111.60
2017	18.80	(127,854)	2,740,090	(4.67)	100.81
2016	18.80	(1,390,211)	2,685,735	(51.76)	108.89
2015	18.37	(394,046)	2,867,047	(13.74)	102.43
VRS Teacher Retirement Plan					
2019	0.32 %	\$ 37,232,000	\$ 27,738,714	134.22 %	74.81 %
2018	0.32	39,492,000	25,447,924	155.19	72.92
2017	0.32	45,483,000	25,447,924	178.73	68.28
2016	0.32	40,438,000	24,618,277	164.26	70.68
2015	0.29	35,117,000	21,122,520	166.25	70.88

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, prior year data is not available. However, additional years will be included as they become available. Reporting dates are one year subsequent to the measurement dates.

CITY OF FALLS CHURCH, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2019

Reporting Date, Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
Basic Plan - City					
2019	\$ 79,457	\$ 79,457	\$ -	\$ 11,459,245	0.69 %
2018	888,463	883,450	5,013	10,979,410	8.05
2017	835,101	852,360	(17,259)	10,876,712	7.84
2016	1,445,007	1,446,667	(1,660)	11,006,079	13.14
2015	1,874,821	7,771,386	(5,896,565)	10,427,953	74.52
Basic Plan - Schools					
2019	\$ 114,044	\$ 114,044	\$ -	\$ 2,994,367	3.81 %
2018	258,305	258,101	204	2,892,548	8.92
2017	218,122	206,553	11,569	2,840,908	7.27
2016	352,614	346,038	6,576	2,685,731	12.88
2015	472,312	384,313	87,999	2,723,691	14.11
VRS Teacher Retirement Plan					
2019	\$ 4,214,000	\$ 4,214,000	\$ -	\$ 27,738,714	15.19 %
2018	4,094,000	4,094,000	-	25,755,203	15.90
2017	3,654,087	3,654,087	-	25,447,924	14.36
2016	3,426,047	3,426,047	-	24,618,277	13.92
2015	3,717,116	3,717,116	-	21,122,520	17.60

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, prior year data is not available. However, additional years will be included as they become available.

CITY OF FALLS CHURCH, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS- CITY LOCAL PLAN
For the Year Ended June 30, 2019

	Measurement Dates - Plan Year	
	June 30, 2019	June 30, 2018
Total OPEB Liability		
Service Cost	\$ 166,453	\$ 187,579
Interest (includes interest on service cost)	584,093	586,842
Differences between expected and actual experience	63,272	(392,413)
Changes of assumptions	(1,936,880)	72,449
Benefit payments, including refunds of member contributions	(551,945)	(574,301)
Net change in total OPEB liability	(1,675,007)	(119,844)
Total OPEB liability - beginning	8,453,707	8,573,551
Total OPEB liability - ending	\$ 6,778,700	\$ 8,453,707
Plan fiduciary net position		
Contributions - employer	\$ 578,656	\$ 584,118
Net investment income	565,484	766,243
Benefit payments, including refunds of member contributions	(551,946)	(574,301)
Administrative expenses	(16,844)	(1,721)
Net change in plan fiduciary net position	575,350	774,339
Plan fiduciary net position - beginning	7,795,530	7,021,191
Plan fiduciary net position - ending	\$ 8,370,880	\$ 7,795,530
Net OPEB liability - ending	\$ (1,592,180)	\$ 658,177
Plan fiduciary net position as a percentage of total OPEB liability	123.49%	92.21%
Covered employee payroll	\$ 14,528,545	\$ 14,139,703
Net OPEB liability (asset) as a percentage of covered employee payroll	-10.96%	4.65%

Notes to Schedule:

Data will be presented from the time GASB 74 was first implemented in fiscal year 2017 until 10 years of trend data is achieved. Measurement dates used are one year prior to the reporting date.

CITY OF FALLS CHURCH, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY (ASSET) AND RELATED RATIOS -
SCHOOL LOCAL PLAN
For the Year Ended June 30, 2019

	Measurement Dates - Plan Year	
	June 30, 2019	June 30, 2018
Total OPEB Liability		
Service Cost	\$ 188,720	\$ 199,960
Interest (includes interest on service cost)	251,561	253,991
Differences between expected and actual experience	736,776	(510,811)
Changes of assumptions	(1,231,569)	63,998
Benefit payments, including refunds of member contributions	(119,902)	(142,248)
Net change in total OPEB liability	(174,414)	(135,110)
Total OPEB liability - beginning	3,464,965	3,600,075
Total OPEB liability - ending	\$ 3,290,551	\$ 3,464,965
Plan fiduciary net position		
Contributions - employer	\$ 107,769	\$ 225,027
Net investment income	352,484	476,993
Benefit payments, including refunds of member contributions	(119,902)	(142,248)
Administrative expenses	(10,866)	(1,187)
Net change in plan fiduciary net position	329,485	558,585
Plan fiduciary net position - beginning	5,430,496	4,871,911
Plan fiduciary net position - ending	\$ 5,759,981	\$ 5,430,496
Net OPEB liability (asset) - ending	\$ (2,469,430)	\$ (1,965,531)
Plan fiduciary net position as a percentage of total OPEB liability	175.05%	156.73%
Covered employee payroll	\$ 31,111,688	\$ 30,279,015
Net OPEB liability (asset) as a percentage of covered employee payroll	-7.94%	-6.49%

Notes to Schedule:

Data will be presented from the time GASB 74 was first implemented in fiscal year 2017 until 10 years of trend data is achieved. Measurement dates used are one year prior to the reporting date.

CITY OF FALLS CHURCH, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS- LOCAL PLANS
For the Year Ended June 30, 2019 and Two Years Prior

Entity Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
OPEB Plan- City					
2019	\$ 380,218	\$ 383,145	\$ (2,927)	\$ 14,528,545	2.64 %
2018	400,842	584,118	(183,276)	14,139,703	4.13
2017	754,906	805,464	(50,558)	13,970,500	5.77
OPEB Plan- Schools					
2019	\$ 97,111	\$ 103,221	\$ (6,110)	\$ 31,111,688	0.33 %
2018	123,595	225,027	(101,432)	30,279,015	0.74
2017	486,812	510,079	(23,267)	29,036,463	1.76

Schedule is intended to show information for 10 years. Since 2017 was the first year for OPEB, no other data is available. However, additional years will be included as they become available. Reporting dates are one year later than the measurement dates.

CITY OF FALLS CHURCH, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY- COST SHARING PLANS
June 30, 2019

Entity Fiscal Year Ended June 30	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Virginia Retirement System - Health Insurance Credit - Teachers					
2019	0.32%	\$ 4,043,000	\$ 27,317,073	14.80%	8.08%
2018	0.32%	4,089,000	25,755,203	15.88%	7.04%
Virginia Retirement System - Group Life Insurance - General Employees					
2019	0.01%	\$ 105,000	\$ 1,266,107	8.29%	51.22%
2018	0.01%	112,000	1,320,064	8.48%	48.86%
Virginia Retirement System - Group Life Insurance - Schools					
2019	0.14%	\$ 2,068,000	\$ 27,741,133	7.45%	51.22%
2018	0.14%	2,086,000	25,756,084	8.10%	48.86%
Virginia Retirement System - Line of Duty Act					
2019	0.32%	\$ 989,000	\$ 3,550,588	27.85%	0.60%
2018	0.29%	764,000	3,667,341	20.83%	1.30%

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no other data is available. Additional years will be included as they become available.

The covered payroll amounts above are for the measurement period, which is the twelve months prior to the entity's fiscal year.

CITY OF FALLS CHURCH, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS- COST SHARING PLANS
June 30, 2019

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Virginia Retirement System - Health Insurance Credit - Teachers					
2019	\$ 336,000	\$ 336,000	-	\$ 27,317,073	1.23%
2018	317,000	317,000	-	25,755,203	1.23%
Virginia Retirement System - Group Life Insurance - General Employees					
2019	\$ 7,000	\$ 7,000	-	\$ 1,266,107	0.55%
2018	7,000	7,000	-	1,320,064	0.53%
Virginia Retirement System - Group Life Insurance - Schools					
2019	\$ 144,000	\$ 144,000	-	\$ 27,741,133	0.52%
2018	135,000	135,000	-	25,756,084	0.52%
Virginia Retirement System - Line of Duty Act					
2019	\$ 40,000	\$ 40,000	-	\$ 3,550,588	1.13%
2018	34,000	34,000	-	3,667,341	0.93%

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no other data is available. Additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year - i.e. the covered payroll on which required contributions were based for the same year.

CITY OF FALLS CHURCH, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL BY DEPARTMENT
GENERAL FUND
Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 61,998,200	\$ 61,998,200	\$ 62,075,834	\$ 77,634
Other local taxes	17,016,000	17,016,000	17,712,885	696,885
Permits, privilege fees, and regulatory licenses	1,410,626	1,410,626	2,011,442	600,816
Fines and forfeitures	625,000	625,000	716,683	91,683
Use of money and property	282,500	1,055,500	1,418,488	362,988
Charges for services	3,529,784	3,529,784	3,643,258	113,474
Miscellaneous	52,800	127,800	78,752	(49,048)
Gifts and contributions	20,400	52,400	42,084	(10,316)
Recovered costs	306,700	306,700	318,002	11,302
Intergovernmental				
Commonwealth	4,077,953	4,435,539	4,424,577	(10,962)
Federal	308,037	340,789	340,731	(58)
Total revenues	<u>89,628,000</u>	<u>90,898,338</u>	<u>92,782,736</u>	<u>1,884,398</u>
EXPENDITURES				
Current:				
Clerk of Court	42,347	42,347	37,476	4,871
Commission of Revenue	804,790	749,468	747,893	1,575
Community Planning and Economic Development Services	2,767,892	2,956,933	2,741,953	214,980
Executive Management	3,474,484	3,621,167	3,558,935	62,232
Finance	1,528,307	1,543,307	1,493,753	49,554
Human Services	3,811,086	3,832,590	3,746,030	86,560
Legislative	724,542	724,542	723,965	577
Library Services	2,090,714	2,143,790	2,088,889	54,901
Public Safety	9,661,352	9,681,068	9,594,764	86,304
Public Works	6,182,838	7,259,675	6,148,611	1,111,064
Recreation and Parks	3,204,438	3,214,284	3,182,230	32,054
Registrar	289,252	290,898	276,322	14,576
Sheriff	1,464,669	1,355,792	1,234,279	121,513
Treasurer	583,443	603,443	581,446	21,997
Non-departmental	52,122,479	52,439,701	51,643,940	795,761
Reserve for capital	1,240,000	1,390,000	-	1,390,000
Total expenditures	<u>89,992,633</u>	<u>91,849,005</u>	<u>87,800,486</u>	<u>4,048,519</u>
Excess (deficiency) of revenues over expenditures	<u>(364,633)</u>	<u>(950,667)</u>	<u>4,982,250</u>	<u>5,932,917</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of bonds	959,000	959,000	-	(959,000)
Proceeds from sale of capital assets	-	235,000	235,000	-
Transfers in	1,061,500	1,317,284	1,317,284	-
Transfers out	(1,977,604)	(3,605,775)	(3,563,280)	42,495
Total other financing sources (uses)	<u>42,896</u>	<u>(1,094,491)</u>	<u>(2,010,996)</u>	<u>(916,505)</u>
Net change in fund balance	<u>\$ (321,737)</u>	<u>\$ (2,045,158)</u>	<u>\$ 2,971,254</u>	<u>\$ 5,016,412</u>

CITY OF FALLS CHURCH, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2019

Note 1. Budget

The State of Virginia requires all local governments to prepare, approve, adopt and execute an annual budget. The budgeting process is based on estimates of revenues and expenditures. The City budgets are prepared on a modified-accrual basis of accounting in accordance with generally accepted accounting principles.

The City maintains budgetary controls to ensure compliance with legal provisions in the appropriated budget approved by the City Council. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is the department level and thus the supplemental budget to actual comparison is presented at this level. Amounts that do not fall under departmental control are categorized as nondepartmental even though they may relate to a particular function.

Note 2. Changes of Benefit Terms

Pension

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Other Postemployment Benefits (OPEB)

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Note 3. Changes of Assumptions

The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 – Non-Hazardous Duty:

- Update mortality table
- Lowered in rates of service retirement
- Update withdrawal rates to better fit experience
- Lowered in rates of disability retirement
- No changes to salary rates
- Increase Line of Duty Disability rates from 14% to 20%
- Applicable to: Pension, GLI OPEB, and HIC OPEB

(Continued)

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2019

Note 3. Changes of Assumptions (Continued)

All Others (Non 10 Largest) – Non-Hazardous Duty:

- Update mortality table
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience
- Lowered disability rates
- No changes to salary rates
- Increased Line of Duty disability rates from 14% to 15%
- Applicable to: Pension and GLI OPEB

Teacher cost-sharing pool

- Update mortality table
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience
- Update disability rates to better fit experience
- No changes to salary rates
- Applicable to: Pension, GLI OPEB, and HIC OPEB

The following changes in actuarial assumptions were made effective June 30, 2016 valuation date:

Basic and Police Pension Plans

- Update mortality table

OPEB – Local Plan

- Update mortality table
- Update amortization method
- Update healthcare cost trend rates

The following changes in actuarial assumptions were made effective June 30, 2019 valuation date:

OPEB – Local Plan

- Update medical, prescription drug, and dental claim costs based on premium rates for the upcoming fiscal year.
- Update medical, prescription drug, and dental trend rates to the current schedules.
- Update the life insurance enrollment to 100% for the City and NVCJTA.

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OTHER SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

Affordable Dwelling Units Fund

To account for funding to both maintain existing affordable housing and to develop additional affordable housing opportunities in the City for households with gross income less than 120% of the median income for the Washington Metropolitan statistical area. Funds are awarded on a rolling application basis through a public application process.

Falls Church Community Television Fund

To deliver programming via cable channels, YouTube video uploads, and public broadcasting and online streaming of City Council, School Board, and Planning Commission and other public meetings.

CITY OF FALLS CHURCH, VIRGINIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019

	<u>Affordable Housing</u>	<u>FCCTV</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 310,196	\$ 76,060	\$ 386,256
Receivables, net	283,001	5,893	288,894
Due from other funds	-	104,804	104,804
	<u>593,197</u>	<u>186,757</u>	<u>779,954</u>
LIABILITIES			
Accounts payable and other liabilities	-	72,526	72,526
Unearned revenue	283,001	-	283,001
	<u>283,001</u>	<u>72,526</u>	<u>355,527</u>
FUND BALANCE			
Committed	<u>310,196</u>	<u>114,231</u>	<u>424,427</u>
	<u>\$ 593,197</u>	<u>\$ 186,757</u>	<u>\$ 779,954</u>
Total liabilities and fund balance	<u>\$ 593,197</u>	<u>\$ 186,757</u>	<u>\$ 779,954</u>

CITY OF FALLS CHURCH, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2019

	Affordable Housing	FCCTV	Total Governmental
REVENUES			
Use of money and property	\$ 6,062	\$ 7,401	\$ 13,463
Total revenues	6,062	7,401	13,463
EXPENDITURES			
Current:			
General government	-	291,002	291,002
Total expenditures	-	291,002	291,002
Excess (deficiency) of revenues over expenditures	6,062	(283,601)	(277,539)
OTHER FINANCING SOURCES			
Developer contributions	10,000	-	10,000
Transfers in	-	323,280	323,280
Total other financing sources	10,000	323,280	333,280
Net change in fund balance	16,062	39,679	55,741
FUND BALANCES AT JULY 1	294,134	74,552	368,686
FUND BALANCES AT JUNE 30	<u>\$ 310,196</u>	<u>\$ 114,231</u>	<u>\$ 424,427</u>

The Notes to Financial Statements are an integral part of this statement.

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FIDUCIARY FUNDS

Other Post-Employment Benefits Fund

To account for the costs associated with providing healthcare benefits to current and future eligible retirees of the City.

School Board Other Post-Employment Benefits Fund

To account for the costs associated with providing healthcare benefits to current and future eligible retirees of the School Board.

SCHEDULE 3**CITY OF FALLS CHURCH, VIRGINIA****COMBINING STATEMENT OF FIDUCIARY NET POSITION
OTHER POST-EMPLOYMENT TRUST FUNDS****June 30, 2019**

	<u>City</u>	<u>School Board</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 54,531	\$ 32,985	\$ 87,516
Investments:			
Domestic equity securities	5,864,257	3,653,612	9,517,869
Domestic fixed income securities	1,901,168	1,184,486	3,085,654
International equity securities	1,765,485	1,099,952	2,865,437
Total investments	<u>9,530,910</u>	<u>5,938,050</u>	<u>15,468,960</u>
Interest and dividends receivable	<u>-</u>	<u>807</u>	<u>807</u>
Total assets	<u>9,585,441</u>	<u>5,971,842</u>	<u>15,557,283</u>
LIABILITIES			
Accounts payable	1,539	2,476	4,015
Due to general fund	<u>1,213,023</u>	<u>209,384</u>	<u>1,422,407</u>
Total liabilities	<u>1,214,562</u>	<u>211,860</u>	<u>1,426,422</u>
NET POSITION			
Held in trust for:			
Other post-employment benefits	<u>8,370,879</u>	<u>5,759,982</u>	<u>14,130,861</u>
Total net position restricted for pension post-employment benefits	<u>\$ 8,370,879</u>	<u>\$ 5,759,982</u>	<u>\$ 14,130,861</u>

SCHEDULE 4

CITY OF FALLS CHURCH, VIRGINIA

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
OTHER POST-EMPLOYMENT TRUST FUNDS**

Year Ended June 30, 2019

	<u>City</u>	<u>School Board</u>	<u>Total</u>
ADDITIONS			
Employer contributions	\$ 383,145	\$ 103,221	\$ 486,366
Investment earnings:			
Interest	1,290	780	2,070
Dividends	194,583	121,231	315,814
Net decrease in fair value of investments	375,763	234,112	609,875
Total investment earnings	571,636	356,123	927,759
Less investment expenses	(6,154)	(3,641)	(9,795)
Net investment earnings	565,482	352,482	917,964
Total additions	948,627	455,703	1,404,330
DEDUCTIONS			
Benefits	356,435	115,353	471,788
Administration	16,844	10,866	27,710
Total deductions	373,279	126,219	499,498
Change in net position	575,348	329,484	904,832
NET POSITION AT JULY 1	7,795,531	5,430,498	13,226,029
NET POSITION AT JUNE 30	<u>\$ 8,370,879</u>	<u>\$ 5,759,982</u>	<u>\$ 14,130,861</u>

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AGENCY FUNDS

Fairfax County Water Authority Fund

To account for monies received and disbursed on behalf of the Authority for sanitary sewer services.

Northern Virginia Criminal Justice Training Academy Fund

To account for monies received and disbursed on behalf of the Academy.

SCHEDULE 5**CITY OF FALLS CHURCH, VIRGINIA****COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
June 30, 2019**

	Fairfax County Water Authority	Northern Virginia Criminal Justice Academy	Total
ASSETS			
Cash and cash equivalents	\$ -	\$ 5,002,242	\$ 5,002,242
Other receivables	845,466	-	845,466
Total assets	<u>\$ 845,466</u>	<u>\$ 5,002,242</u>	<u>\$ 5,847,708</u>
LIABILITIES			
Amounts held for others	\$ 813,328	\$ 4,978,700	\$ 5,792,028
Due to general fund	32,138	23,542	55,680
Total liabilities	<u>\$ 845,466</u>	<u>\$ 5,002,242</u>	<u>\$ 5,847,708</u>

CITY OF FALLS CHURCH, VIRGINIA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
Year Ended June 30, 2019

	Balances July 1, 2018	Additions	Deductions	Balances June 30, 2019
Fairfax County Water Authority				
ASSETS				
Other receivables	\$ 851,194	\$ 1,355	\$ 7,083	\$ 845,466
Total assets	\$ 851,194	\$ 1,355	\$ 7,083	\$ 845,466
LIABILITIES				
Amounts held for others	\$ 821,250	\$ 1,355	\$ 9,277	\$ 813,328
Due to general fund	32,778	2,424	3,064	32,138
Total liabilities	\$ 854,028	\$ 3,779	\$ 12,341	\$ 845,466
Northern Virginia Criminal Justice Academy				
ASSETS				
Cash and cash equivalents	\$ 5,340,966	\$ 2,053,685	\$ 2,392,409	\$ 5,002,242
Total assets	\$ 5,340,966	\$ 2,053,685	\$ 2,392,409	\$ 5,002,242
LIABILITIES				
Amounts held for others	\$ 5,317,218	\$ 4,753,489	\$ 5,092,007	\$ 4,978,700
Due to general fund	23,748	7,145,692	7,145,898	23,542
Total liabilities	\$ 5,340,966	\$ 11,899,181	\$ 12,237,905	\$ 5,002,242
Totals				
ASSETS				
Cash and cash equivalents	\$ 5,340,966	\$ 2,053,685	\$ 2,392,409	\$ 5,002,242
Other receivables	851,194	1,355	7,083	845,466
Total assets	\$ 6,192,160	\$ 2,055,040	\$ 2,399,492	\$ 5,847,708
LIABILITIES				
Amounts held for others	\$ 6,138,468	\$ 4,754,844	\$ 5,101,284	\$ 5,792,028
Due to general fund	56,526	7,148,116	7,148,962	55,680
Total liabilities	\$ 6,194,994	\$ 11,902,960	\$ 12,250,246	\$ 5,847,708

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DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

Major Governmental Funds

School Operating Fund

The School Operating Fund is a special revenue fund that accounts for the operations of the City's school system. Financing is provided by the State and Federal Governments as well as contributions from the general fund.

School Community Service Fund

The School Community Service Fund is a special revenue fund that accounts for transactions related to donations, daycare operations, and rental income for the school system.

Nonmajor Governmental Funds

School Food Service Fund

The School Food Service Fund is a special revenue fund that accounts for the City's school lunch program. Financing is provided from lunch sales and state and federal reimbursements.

CITY OF FALLS CHURCH, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2019

	<u>Major</u>		<u>Non-major</u>	
	<u>School</u>	<u>School</u>	<u>School</u>	<u>Total</u>
	<u>Operating</u>	<u>Community</u>	<u>Food</u>	<u>Governmental</u>
		<u>Service</u>	<u>Service</u>	<u>Funds</u>
ASSETS				
Cash and investments	\$ 2,192,559	\$ 1,471,901	\$ 304,497	\$ 3,968,957
Accounts receivable	147,060	20,830	-	167,890
Due from fiduciary funds	209,383	-	-	209,383
Due from primary government	5,252,187	-	-	5,252,187
Due from other governments	413,903	-	20,248	434,151
Prepays	25,734	1,043	-	26,777
Total assets	<u>\$ 8,240,826</u>	<u>\$ 1,493,774</u>	<u>\$ 324,745</u>	<u>\$ 10,059,345</u>
LIABILITIES				
Accounts payable and other liabilities	\$ 6,351,076	\$ 23,722	\$ 45,708	\$ 6,420,506
Due to primary government	<u>-</u>	<u>374,817</u>	<u>4,322</u>	<u>379,139</u>
Total liabilities	<u>6,351,076</u>	<u>398,539</u>	<u>50,030</u>	<u>6,799,645</u>
FUND BALANCES				
Nonspendable:				
Prepays	25,734	1,043	-	26,777
Assigned:				
Education	<u>1,864,016</u>	<u>1,094,192</u>	<u>274,715</u>	<u>3,232,923</u>
Total fund balances	<u>1,889,750</u>	<u>1,095,235</u>	<u>274,715</u>	<u>3,259,700</u>
Total liabilities and fund balances	<u>\$ 8,240,826</u>	<u>\$ 1,493,774</u>	<u>\$ 324,745</u>	<u>\$ 10,059,345</u>

CITY OF FALLS CHURCH, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2019

Total Fund Balance - Governmental Funds		\$ 3,259,700
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds.		
Nondepreciable	\$ 1,273,354	
Depreciable, net	<u>3,670,292</u>	
		4,943,646
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows related to pensions	6,501,103	
Deferred outflows related to OPEB	739,076	
Deferred inflows related to pensions	(6,275,271)	
Deferred inflows related to OPEB	(1,061,199)	
Net pension asset - all plans	3,292,408	
Net pension liability - all plans	(37,232,000)	
Net OPEB asset - all plans	1,965,531	
Net OPEB liability - all plans	<u>(6,111,000)</u>	
		(38,181,352)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Termination benefits	(1,210,000)	
Compensated absences	(1,266,201)	
Other lease payable	(658,380)	
Capital lease payable	<u>(730,214)</u>	
		(3,864,795)
Total Net Position - Governmental Activities		<u><u>\$ (33,842,801)</u></u>

SCHEDULE 9

**CITY OF FALLS CHURCH, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2019**

	Major		Non-major	
	School Operating	School Community Service	School Food Service	Total Governmental Funds
REVENUES				
Revenue from use of money and property	\$ 83,507	\$ 100,364	\$ 7,760	\$ 191,631
Charges for services	538,829	1,519,587	692,145	2,750,561
Fines	186,500	-	-	186,500
Miscellaneous	63,733	136,147	-	199,880
Intergovernmental:				
Federal	671,348	-	66,281	737,629
Commonwealth	6,610,766	-	5,317	6,616,083
Payments from City	42,211,546	107,500	-	42,319,046
	<u>50,366,229</u>	<u>1,863,598</u>	<u>771,503</u>	<u>53,001,330</u>
Total revenues				
EXPENDITURES				
Current:				
Education	48,793,439	1,671,200	865,746	51,330,385
Capital outlay	2,078,082	379,547	-	2,457,629
Debt service:				
Principal retirement	566,040	-	-	566,040
Interest and fiscal charges	26,358	-	-	26,358
	<u>51,463,919</u>	<u>2,050,747</u>	<u>865,746</u>	<u>54,380,412</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>(1,097,690)</u>	<u>(187,149)</u>	<u>(94,243)</u>	<u>(1,379,082)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital leases	736,063	-	-	736,063
Transfers in	130,000	-	30,000	160,000
Transfers out	<u>(30,000)</u>	<u>(130,000)</u>	<u>-</u>	<u>(160,000)</u>
	<u>836,063</u>	<u>(130,000)</u>	<u>30,000</u>	<u>736,063</u>
Total other financing sources (uses)				
Net change in fund balance	(261,627)	(317,149)	(64,243)	(643,019)
FUND BALANCE AT JULY 1	<u>2,151,377</u>	<u>1,412,384</u>	<u>338,958</u>	<u>3,902,719</u>
FUND BALANCE AT JUNE 30	<u>\$ 1,889,750</u>	<u>\$ 1,095,235</u>	<u>\$ 274,715</u>	<u>\$ 3,259,700</u>

CITY OF FALLS CHURCH, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

Net Change in Fund Balance - Governmental Funds **\$ (643,019)**

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; however, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays	\$ 1,638,479	
Depreciation expense	<u>(498,411)</u>	
		1,140,068

Revenue in the Statement of Activities that do not provide current financial resources are not reported as revenues in the Statement of Activities.

Capital lease proceeds		(736,063)
------------------------	--	-----------

Governmental activities recognize rent expense equally over the term of the lease agreement whereas governmental funds report only the outlays for rent payments as expenditures.

53,833

Governmental funds report employer pension and OPEB contributions as expenditures. However, in the statement of activities the cost of pension and OPEB benefits earned net of employee contributions is reported as pension and OPEB expense.

Employer pension contributions	4,328,044	
Employer OPEB contributions	583,221	
Pension expense	(3,085,953)	
OPEB expense	<u>(294,558)</u>	
		1,530,754

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in termination benefits	462,000	
Change in compensated absences	(132,163)	
Loss on disposal of capital assets	<u>(65,091)</u>	
		264,746

The repayment of the principal of long-term debt consumes current financial resources of governmental funds. However, the transaction has no effect on net position.

566,040

Change in Net Position - Governmental Activities **\$ 2,176,359**

CITY OF FALLS CHURCH, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - SCHOOL OPERATING FUND
Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget - Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Revenue from use of money and property	\$ 41,200	\$ 41,200	\$ 83,507	\$ 42,307
Charges for services	455,785	455,785	538,829	83,044
Fines	45,000	45,000	186,500	141,500
Miscellaneous	300,000	280,000	63,733	(216,267)
Intergovernmental:				
Federal	556,558	556,558	671,348	114,790
Commonwealth	6,849,769	6,869,769	6,610,766	(259,003)
Primary government	42,211,546	42,211,546	42,211,546	-
Total revenues	<u>50,459,858</u>	<u>50,459,858</u>	<u>50,366,229</u>	<u>(93,629)</u>
EXPENDITURES				
Current:				
Education	49,381,846	49,537,515	48,793,439	744,076
Capital outlay	537,601	830,994	2,078,082	(1,247,088)
Debt service:				
Principal retirement	464,411	460,711	566,040	(105,329)
Interest and fiscal charges	-	-	26,358	(26,358)
Reserves	176,000	(105,057)	-	(105,057)
Total expenditures	<u>50,559,858</u>	<u>50,724,163</u>	<u>51,463,919</u>	<u>(739,756)</u>
Excess (deficiency) of revenues over expenditures	<u>(100,000)</u>	<u>(264,305)</u>	<u>(1,097,690)</u>	<u>(833,385)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital leases	-	-	736,063	736,063
Transfers in	130,000	130,000	130,000	-
Transfers out	(30,000)	(30,000)	(30,000)	-
Total other financing sources (uses)	<u>100,000</u>	<u>100,000</u>	<u>836,063</u>	<u>736,063</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (164,305)</u>	<u>\$ (261,627)</u>	<u>\$ (97,322)</u>

CITY OF FALLS CHURCH, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - SCHOOL COMMUNITY SERVICE FUND
Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget - Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Revenue from use of money and property	\$ 82,500	\$ 82,500	\$ 100,364	\$ 17,864
Charges for services	1,799,126	1,799,126	1,519,587	(279,539)
Miscellaneous	177,000	177,000	136,147	(40,853)
Intergovernmental:				
Payments from City	107,500	107,500	107,500	-
Total revenues	2,166,126	2,166,126	1,863,598	(302,528)
EXPENDITURES				
Current:				
Education	2,079,126	2,079,126	1,671,200	407,926
Capital outlay	135,000	508,227	379,547	128,680
Total expenditures	2,214,126	2,587,353	2,050,747	536,606
Excess (deficiency) of revenues over expenditures	(48,000)	(421,227)	(187,149)	234,078
OTHER FINANCING USES				
Transfers out	(130,000)	(130,000)	(130,000)	-
Total other financing uses	(130,000)	(130,000)	(130,000)	-
Net change in fund balances	\$ (178,000)	\$ (551,227)	\$ (317,149)	\$ 234,078

CITY OF FALLS CHURCH, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
June 30, 2019

	<u>Jessie Thackery Preschool</u>	<u>Thomas Jefferson Elementary</u>	<u>Mt. Daniel Elementary</u>	<u>Mary Ellen Henderson Middle School</u>	<u>George Mason High School</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ 1,948	\$ 65,158	\$ 49,993	\$ 53,590	\$ 352,659	\$ 523,348
Total assets	<u>\$ 1,948</u>	<u>\$ 65,158</u>	<u>\$ 49,993</u>	<u>\$ 53,590</u>	<u>\$ 352,659</u>	<u>\$ 523,348</u>
LIABILITIES						
Amounts held for others	\$ 1,948	\$ 65,158	\$ 49,993	\$ 53,590	\$ 352,659	\$ 523,348
Total liabilities	<u>\$ 1,948</u>	<u>\$ 65,158</u>	<u>\$ 49,993</u>	<u>\$ 53,590</u>	<u>\$ 352,659</u>	<u>\$ 523,348</u>

CITY OF FALLS CHURCH, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2019

	<u>Balances July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances June 30, 2019</u>
JESSIE THACKERY PRESCHOOL				
Assets				
Cash and cash equivalents	\$ 717	\$ 2,207	\$ 976	\$ 1,948
Total assets	<u>\$ 717</u>	<u>\$ 2,207</u>	<u>\$ 976</u>	<u>\$ 1,948</u>
Liabilities				
Amounts held for others	\$ 717	\$ 2,207	\$ 976	\$ 1,948
Total liabilities	<u>\$ 717</u>	<u>\$ 2,207</u>	<u>\$ 976</u>	<u>\$ 1,948</u>
THOMAS JEFFERSON ELEMENTARY				
Assets				
Cash and cash equivalents	\$ 56,447	\$ 59,912	\$ 51,201	\$ 65,158
Total assets	<u>\$ 56,447</u>	<u>\$ 59,912</u>	<u>\$ 51,201</u>	<u>\$ 65,158</u>
Liabilities				
Amounts held for others	\$ 56,447	\$ 59,912	\$ 51,201	\$ 65,158
Total liabilities	<u>\$ 56,447</u>	<u>\$ 59,912</u>	<u>\$ 51,201</u>	<u>\$ 65,158</u>
MT. DANIEL ELEMENTARY				
Assets				
Cash and cash equivalents	\$ 59,137	\$ 20,105	\$ 29,249	\$ 49,993
Total assets	<u>\$ 59,137</u>	<u>\$ 20,105</u>	<u>\$ 29,249</u>	<u>\$ 49,993</u>
Liabilities				
Amounts held for others	\$ 59,137	\$ 20,105	\$ 29,249	\$ 49,993
Total liabilities	<u>\$ 59,137</u>	<u>\$ 20,105</u>	<u>\$ 29,249</u>	<u>\$ 49,993</u>
MARY ELLEN HENDERSON MIDDLE SCHOOL				
Assets				
Cash and cash equivalents	\$ 31,783	\$ 111,163	\$ 89,356	\$ 53,590
Total assets	<u>\$ 31,783</u>	<u>\$ 111,163</u>	<u>\$ 89,356</u>	<u>\$ 53,590</u>
Liabilities				
Amounts held for others	\$ 31,783	\$ 111,163	\$ 89,356	\$ 53,590
Total liabilities	<u>\$ 31,783</u>	<u>\$ 111,163</u>	<u>\$ 89,356</u>	<u>\$ 53,590</u>
GEORGE MASON HIGH SCHOOL				
Assets				
Cash and cash equivalents	\$ 346,745	\$ 470,498	\$ 464,584	\$ 352,659
Total assets	<u>\$ 346,745</u>	<u>\$ 470,498</u>	<u>\$ 464,584</u>	<u>\$ 352,659</u>
Liabilities				
Amounts held for others	\$ 346,745	\$ 470,498	\$ 464,584	\$ 352,659
Total liabilities	<u>\$ 346,745</u>	<u>\$ 470,498</u>	<u>\$ 464,584</u>	<u>\$ 352,659</u>
TOTAL				
Assets				
Cash and cash equivalents	\$ 494,829	\$ 663,885	\$ 635,366	\$ 523,348
Total assets	<u>\$ 494,829</u>	<u>\$ 663,885</u>	<u>\$ 635,366</u>	<u>\$ 523,348</u>
Liabilities				
Amounts held for others	\$ 494,829	\$ 663,885	\$ 635,366	\$ 523,348
Total liabilities	<u>\$ 494,829</u>	<u>\$ 663,885</u>	<u>\$ 635,366</u>	<u>\$ 523,348</u>

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DISCRETELY PRESENTED COMPONENT UNIT – ECONOMIC DEVELOPMENT AUTHORITY

Economic Development Authority Fund

To account for the promotion of economic development of the City. All activities necessary to provide such services are included in the fund.

CITY OF FALLS CHURCH, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - ECONOMIC DEVELOPMENT AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2019

ASSETS

Cash and investments	\$ 2,096,914
Total assets	<u>\$ 2,096,914</u>

LIABILITIES

Accounts payable and other liabilities	\$ 250,000
Due to other funds	<u>232,007</u>
Total liabilities	<u>482,007</u>

FUND BALANCE

Assigned	<u>1,614,907</u>
Total fund balance	<u>1,614,907</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 2,096,914</u>

CITY OF FALLS CHURCH, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - ECONOMIC DEVELOPMENT AUTHORITY
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
Year Ended June 30, 2019

REVENUES

Use of money and property	\$ 37,773
Miscellaneous	<u>31,529</u>
Total revenue	<u>69,302</u>

EXPENDITURES

Current:

Economic development	<u>252,911</u>
Total expenditures	<u>252,911</u>
Excess of expenditures over revenues	<u>(183,609)</u>
Net change in fund balance	(183,609)

FUND BALANCE AT JULY 1	<u>1,798,516</u>
FUND BALANCE AT JUNE 30	<u><u>\$ 1,614,907</u></u>

Reconciliation of amounts reported for governmental activities in the Statement of Activities:

Net change in fund balance	(183,609)
Certain receivables are not available to pay for current-period expenditures and therefore are deferred in the funds	<u>(15,049)</u>
Change in net position of governmental activities	<u><u>\$ (198,658)</u></u>

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STATISTICAL SECTION

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STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

<u>Contents</u>	<u>Pages</u>
<i>Financial Trends – Tables 1 – 4</i>	
These tables contain financial trend information to help the reader understand how the government's financial performance and well-being have changed over time.	144-148
<i>Revenue Capacity – Tables 5 – 8</i>	
These tables contain information to help the reader assess the government's most significant local revenue source, real estate and personal property taxes.	149-152
<i>Debt Capacity – Tables 9 – 11</i>	
These schedules contain trend information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	153-155
<i>Demographic and Economic Information – Tables 12 – 13</i>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place	156-157
<i>Operating Information – Tables 14 – 16</i>	
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and activities it performs	158-161

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

TABLE 1

CITY OF FALLS CHURCH, VIRGINIA

NET POSITION BY COMPONENT

Last Ten Fiscal Years

(accrual basis of accounting)

(unaudited)

	2019**	2018	2017	2016	2015*	2014	2013	2012	2011	2010
Governmental activities										
Net investment in capital assets	\$ 61,809,131	\$ 48,269,980	\$ 41,537,609	\$ 38,820,954	\$ 36,184,034	\$ 38,525,915	\$ 39,248,950	\$ 31,282,109	\$ 30,402,986	\$ 28,758,627
Restricted	10,282,371	8,563,128	1,167,594	425,551	758,208	12,342,829	390,112	110,929	152,686	70,153
Unrestricted	34,735,298	38,477,078	51,092,020	49,025,639	47,032,297	30,793,497	12,666,836	15,584,623	8,624,721	4,027,491
Total governmental activities net position	<u>\$ 106,826,800</u>	<u>\$ 95,310,186</u>	<u>\$ 93,797,223</u>	<u>\$ 88,272,144</u>	<u>\$ 83,974,539</u>	<u>\$ 81,662,241</u>	<u>\$ 52,305,898</u>	<u>\$ 46,977,661</u>	<u>\$ 39,180,393</u>	<u>\$ 32,856,271</u>
Business-type activities										
Net investment in capital assets	\$ 14,674,620	\$ 12,463,534	\$ 12,247,022	\$ 11,597,722	\$ 12,134,206	\$ 10,278,011	\$ 75,135,994	\$ 71,450,170	\$ 67,031,493	\$ 60,677,853
Restricted	441,735	348,515	-	-	-	-	-	-	-	-
Unrestricted	14,477,470	15,209,915	14,059,299	11,667,833	7,225,779	7,024,540	35,310,238	30,167,055	29,197,725	28,109,384
Total business-type activities net position	<u>\$ 29,593,825</u>	<u>\$ 28,021,964</u>	<u>\$ 26,306,321</u>	<u>\$ 23,265,555</u>	<u>\$ 19,359,985</u>	<u>\$ 17,302,551</u>	<u>\$ 110,446,232</u>	<u>\$ 101,617,225</u>	<u>\$ 96,229,218</u>	<u>\$ 88,787,237</u>
Primary government										
Net investment in capital assets	\$ 76,483,751	\$ 60,733,514	\$ 53,784,631	\$ 50,418,676	\$ 48,318,240	\$ 48,803,926	\$ 114,384,944	\$ 102,732,279	\$ 97,434,479	\$ 89,436,480
Restricted	10,724,106	8,911,643	1,167,594	425,551	758,208	12,342,829	390,112	110,929	152,686	70,153
Unrestricted	49,212,768	53,686,993	65,151,319	60,693,472	54,258,076	37,818,037	47,977,074	45,751,678	37,822,446	32,136,875
Total primary government net position	<u>\$ 136,420,625</u>	<u>\$ 123,332,150</u>	<u>\$ 120,103,544</u>	<u>\$ 111,537,699</u>	<u>\$ 103,334,524</u>	<u>\$ 98,964,792</u>	<u>\$ 162,752,130</u>	<u>\$ 148,594,886</u>	<u>\$ 135,409,611</u>	<u>\$ 121,643,508</u>

Notes:

The City restated net position as of June 30, 2010, 2013, 2014, 2015, 2017, and 2018. The restatements are not included in the prior data.

*GASB Statement No. 68 was adopted in fiscal year 2015.

**GASB Statement No. 75 was adopted in fiscal year 2018.

TABLE 2

CITY OF FALLS CHURCH, VIRGINIA
CHANGES IN NET POSITION BY COMPONENT
Last Ten Fiscal Years
 (accrual basis of accounting)
 (unaudited)

	2019**	2018	2017	2016	2015*	2014	2013	2012	2011	2010
Expenses										
Governmental activities										
General government	\$ 6,759,570	\$ 6,830,072	\$ 7,093,808	\$ 6,909,252	\$ 6,702,227	\$ 6,002,133	\$ 5,367,731	\$ 4,788,719	\$ 4,493,498	\$ 4,964,439
Judicial administration	1,785,143	2,056,960	2,313,556	2,068,457	2,004,502	2,010,133	1,873,922	1,610,517	1,531,960	1,517,515
Public safety	10,831,092	11,441,556	11,376,143	11,411,724	10,833,749	10,908,109	9,788,047	9,434,025	8,954,827	9,363,766
Public works	5,885,225	6,841,110	7,084,612	7,872,682	6,507,428	6,648,977	6,285,870	5,336,869	5,920,960	5,013,021
Health and welfare	2,346,246	2,678,982	2,261,565	2,161,544	2,064,532	2,021,528	2,218,700	2,003,105	2,105,699	2,201,229
Education and payments to schools	44,801,558	42,836,993	41,479,234	40,197,569	38,558,239	35,381,445	32,035,481	29,064,131	29,276,052	30,768,947
Parks, recreation, and cultural	5,606,037	5,372,211	5,339,143	5,044,608	4,970,253	4,892,129	4,603,123	4,392,338	4,449,481	4,486,619
Community development	3,990,673	3,757,139	2,676,887	2,276,387	2,053,265	3,486,360	3,307,046	1,745,896	1,439,852	1,435,053
Economic development	296,976	267,549	453,829	457,658	396,685	353,517	314,171	323,036	322,405	351,233
Interest	2,167,112	1,718,404	1,580,885	1,791,263	1,800,681	1,501,342	1,116,712	1,278,045	1,410,283	1,555,466
Total governmental activities	\$ 84,469,632	\$ 83,800,976	\$ 81,659,662	\$ 80,191,144	\$ 75,891,561	\$ 73,205,673	\$ 66,910,803	\$ 59,976,681	\$ 59,905,017	\$ 61,657,288
Business-type activities										
Water	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,885,901	\$ 20,930,432	\$ 19,271,724	\$ 17,690,104	\$ 17,240,177
Sewer	3,258,103	3,140,822	3,146,582	2,872,497	3,126,518	2,805,228	2,546,447	2,887,321	1,937,681	2,078,222
Storm water	1,414,356	1,149,089	1,315,994	1,310,670	1,240,370	1,185,304	-	-	-	-
Total business-type activities expense	4,672,459	4,289,911	4,462,576	4,183,167	4,366,888	17,876,433	23,476,879	22,159,045	19,627,785	19,318,399
Total primary government expenses	\$ 89,142,091	\$ 88,090,887	\$ 86,122,238	\$ 84,374,311	\$ 80,258,449	\$ 91,082,106	\$ 90,387,682	\$ 82,135,726	\$ 79,532,802	\$ 80,975,687
Program revenues										
Governmental activities										
Charges for services										
Parks and recreation	\$ 2,129,444	\$ 2,076,168	\$ 2,029,253	\$ 2,030,695	\$ 1,988,182	\$ 1,925,368	\$ 1,895,540	\$ 1,784,380	\$ 1,822,851	\$ 1,565,668
Judicial administration	1,026,814	890,898	697,794	986,955	997,514	1,067,969	990,687	1,106,413	1,189,447	1,111,368
Public safety	2,012,631	1,339,397	979,683	1,320,831	1,656,508	2,021,982	1,158,033	1,054,488	640,353	637,012
Other activities	1,048,771	930,109	641,851	577,572	896,479	936,543	1,050,301	957,930	790,385	492,204
Operating grants and contributions	2,573,333	2,319,112	3,046,976	2,511,069	2,174,784	3,756,117	3,470,652	2,133,526	2,151,480	2,249,881
Capital grants and contributions	2,765,794	4,256,317	3,464,841	4,286,565	1,591,495	1,276,720	569,648	807,771	560,269	592,880
Total governmental activities program revenues	\$ 11,556,787	\$ 11,812,001	\$ 10,860,398	\$ 11,713,687	\$ 9,304,962	\$ 10,984,699	\$ 9,134,861	\$ 7,844,508	\$ 7,154,785	\$ 6,649,013
Business-type activities										
Charges for services										
Water	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,017,794	\$ 24,363,306	\$ 22,770,417	\$ 21,710,937	\$ 19,846,413
Sewer	4,377,024	4,389,685	5,710,832	6,198,048	3,898,179	3,603,322	3,312,868	3,073,519	2,641,877	2,638,970
Storm water	1,594,293	1,575,640	1,595,168	1,571,696	1,540,980	764,451	-	-	-	-
Capital grants and contributions	-	18,750	-	103,500	865,968	328,214	4,255,493	1,496,722	2,717,914	284,330
Total business-type activities program revenues	\$ 5,971,317	\$ 5,984,075	\$ 7,306,000	\$ 7,873,244	\$ 6,305,127	\$ 18,713,781	\$ 31,931,667	\$ 27,340,658	\$ 27,070,728	\$ 22,769,713
Total primary government program revenues	\$ 17,528,104	\$ 17,796,076	\$ 18,166,398	\$ 19,586,931	\$ 15,610,089	\$ 29,698,480	\$ 41,066,528	\$ 35,185,166	\$ 34,225,513	\$ 29,418,726
Net (expense) revenue										
Governmental activities	\$ (72,912,845)	\$ (71,988,975)	\$ (70,799,264)	\$ (68,477,457)	\$ (66,586,599)	\$ (62,220,974)	\$ (57,775,942)	\$ (52,132,173)	\$ (52,750,232)	\$ (55,008,275)
Business-type activities	1,298,858	1,694,164	2,843,424	3,690,077	1,938,239	837,348	8,454,788	5,181,613	7,442,943	3,451,314
Total primary government net expense	<u>\$ (71,613,987)</u>	<u>\$ (70,294,811)</u>	<u>\$ (67,955,840)</u>	<u>\$ (64,787,380)</u>	<u>\$ (64,648,360)</u>	<u>\$ (61,383,626)</u>	<u>\$ (49,321,154)</u>	<u>\$ (46,950,560)</u>	<u>\$ (45,307,289)</u>	<u>\$ (51,556,961)</u>

(Continued)

TABLE 2
(Continued)

CITY OF FALLS CHURCH, VIRGINIA
CHANGES IN NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)
(unaudited)

	2019**	2018	2017	2016	2015*	2014	2013	2012	2011	2010
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
General property taxes	\$ 62,045,603	\$ 53,258,669	\$ 50,699,679	\$ 48,693,996	\$ 45,947,755	\$ 44,777,426	\$ 42,216,103	\$ 39,381,606	\$ 38,879,467	\$ 36,000,253
Personal property		5,825,554	5,372,445	5,037,458	4,577,709	4,602,697	4,258,749	4,156,728	3,678,885	3,381,964
Business licenses, based on gross receipts	4,629,217	4,181,701	4,110,102	3,973,548	3,722,282	3,545,053	3,374,891	3,259,871	3,284,068	2,698,584
Local sales and use	5,172,399	4,703,523	4,603,600	4,209,733	4,003,421	3,778,221	3,737,117	3,899,279	3,619,912	3,035,145
Consumer's utility	2,123,278	2,266,303	2,149,523	2,146,829	2,231,129	2,183,795	2,142,459	2,102,986	2,180,644	2,063,222
Motor vehicle decals	350,424	344,563	347,080	336,404	333,921	311,704	313,245	319,335	238,177	226,723
Real estate recordation taxes	523,282	523,816	475,481	391,911	487,332	483,192	602,651	475,057	371,514	369,453
Occupancy, tobacco, and other	5,898,941	5,842,109	5,420,378	5,166,228	5,044,324	4,682,907	3,867,148	3,833,289	3,789,771	3,298,074
Intergovernmental, non-categorical aid	2,020,878	2,020,878	2,020,878	2,139,708	2,139,070	2,139,198	2,020,878	2,020,878	2,020,878	2,020,878
Use of money and property	1,427,748	726,327	444,740	482,608	276,177	142,860	141,673	105,827	75,495	85,531
Miscellaneous	2,689	218,328	85,651	189,863	96,229	99,286	279,265	229,637	110,572	72,104
Capital contribution	-	-	-	-	-	252,000	-	-	-	-
Special item: Gain (loss) on sales of capital assets	235,000	-	594,786	(49,390)	34,062	1,817,968	-	-	735,367	-
Transfers	-	-	-	64,517	89,490	23,091,228	150,000	150,000	89,604	(2,202,601)
Total governmental activities	\$ 84,429,459	\$ 79,911,771	\$ 76,324,343	\$ 72,783,413	\$ 68,982,901	\$ 91,907,535	\$ 63,104,179	\$ 59,934,493	\$ 59,074,354	\$ 51,049,330
Business-type activities:										
Use of money and property	\$ 393,340	\$ 96,278	\$ 35,492	\$ 93,405	\$ 8,240	\$ 136,819	\$ 319,150	\$ 281,920	\$ 213,217	\$ 63,385
Miscellaneous	-	12,916	24,287	192	-	(32,638)	59,428	74,474	125,305	(28,339)
Special item: Loss from sale of water fund	-	-	-	-	-	(68,652,061)	-	-	-	-
Insurance recovery of legal costs, net	-	-	-	-	-	-	-	-	-	1,025,632
Transfers	-	-	-	(64,517)	(89,490)	(25,156,556)	(150,000)	(150,000)	(89,604)	2,202,601
Total business-type activities	\$ 393,340	\$ 109,194	\$ 59,779	\$ 29,080	\$ (81,250)	\$ (93,704,436)	\$ 228,578	\$ 206,394	\$ 248,918	\$ 3,263,279
Total primary government	\$ 84,822,799	\$ 80,020,965	\$ 76,384,122	\$ 72,812,493	\$ 68,901,651	\$ (1,796,901)	\$ 63,332,757	\$ 60,140,887	\$ 59,323,272	\$ 54,312,609
Changes in Net Position										
Governmental activities	\$ 11,516,614	\$ 7,922,796	\$ 5,525,079	\$ 4,305,956	\$ 2,396,302	\$ 29,686,561	\$ 5,328,237	\$ 7,802,320	\$ 6,324,122	\$ (3,958,945)
Business-type activities	1,692,198	1,803,358	2,903,203	3,719,157	1,856,989	(92,867,088)	8,683,366	5,388,007	7,691,861	6,714,593
Total primary government	\$ 13,208,812	\$ 9,726,154	\$ 8,428,282	\$ 8,025,113	\$ 4,253,291	\$ (63,180,527)	\$ 14,011,603	\$ 13,190,327	\$ 14,015,983	\$ 2,755,648

Notes:

The City restated net position as of June 30, 2010, 2013, 2014, 2015, 2017, and 2018. The restatements are not included in the prior data.

*GASB Statement No. 68 was adopted in fiscal year 2015.

**GASB Statement No. 75 was adopted in fiscal year 2018.

TABLE 3

CITY OF FALLS CHURCH, VIRGINIA

FUND BALANCES - GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(unaudited)

	2019	2018	2017	2016	2015	2014	2013	2012	2011
Post-GASB 54 implementation:									
General Fund									
Nonspendable	\$ 168,376	\$ 197,513	\$ 265,013	\$ 201,779	\$ 192,141	\$ 199,581	\$ 268,619	\$ 280,819	\$ 251,358
Restricted	326,466	923,689	1,167,594	425,551	758,208	560,413	159,715	110,929	247,364
Committed	12,361,699	11,311,699	10,566,999	11,909,590	13,840,859	3,761,859	1,418,300	-	-
Assigned	5,073,794	2,609,806	2,430,164	1,582,296	2,251,649	24,788,434	595,253	760,861	380,682
Unassigned	16,274,836	16,191,209	14,993,614	15,336,497	14,301,563	13,508,494	14,821,921	13,716,496	7,041,658
Total general fund	<u>\$ 34,205,171</u>	<u>\$ 31,233,916</u>	<u>\$ 29,423,384</u>	<u>\$ 29,455,713</u>	<u>\$ 31,344,420</u>	<u>\$ 42,818,781</u>	<u>\$ 17,263,808</u>	<u>\$ 14,869,105</u>	<u>\$ 7,921,062</u>
All Other Governmental Funds									
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 289,267	\$ -	\$ -	\$ -	\$ -
Restricted	21,733,440	19,888,673	15,067,259	17,529,237	17,029,510	12,639,104	1,990,159	7,519,397	134,686
Committed	2,751,547	9,015,129	11,557,405	7,627,932	5,394,834	2,723,547	1,374,466	856,344	1,401,402
Total all other governmental funds	<u>\$ 24,484,987</u>	<u>\$ 28,903,802</u>	<u>\$ 26,624,664</u>	<u>\$ 25,157,169</u>	<u>\$ 22,713,611</u>	<u>\$ 15,362,651</u>	<u>\$ 3,364,625</u>	<u>\$ 8,375,741</u>	<u>\$ 1,536,088</u>
Pre-GASB 54 implementation:	2010								
General Fund									
Reserved	\$ 1,124,698								
Unreserved	2,674,638								
Total general fund	<u>\$ 3,799,336</u>								
All Other Governmental Funds									
Reserved	\$ 395,238								
Unreserved:									
Designated:									
Capital projects fund	656,967								
Special revenue fund	539,152								
Total all other governmental funds	<u>\$ 1,591,357</u>								

Note: In FY 2011, the City implemented GASB Statement No. 54.

TABLE 4

CITY OF FALLS CHURCH, VIRGINIA

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(unaudited)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenues										
General property taxes	\$ 62,075,834	\$ 59,073,580	\$ 56,233,419	\$ 53,951,291	\$ 50,587,189	\$ 49,289,149	\$ 46,405,519	\$ 43,870,383	\$ 42,146,436	\$ 39,476,351
Other local taxes	18,574,708	17,833,994	17,161,462	16,194,923	15,884,467	15,031,665	14,068,000	13,868,919	13,379,038	11,610,183
Permits, fees, and licenses	2,011,442	1,264,495	1,036,162	1,211,625	1,543,975	1,677,603	916,677	634,184	404,899	511,285
Fines and forfeitures	716,683	514,936	490,773	623,251	662,700	777,485	672,757	763,353	727,990	610,267
Charges for services	3,643,258	3,357,278	2,708,257	2,997,544	3,149,616	2,819,182	3,107,315	2,844,768	2,837,487	2,528,088
Use of money and property	1,433,641	726,327	444,740	482,609	275,503	142,860	141,673	105,827	75,495	85,531
Miscellaneous	78,752	76,623	74,667	92,794	145,705	107,966	265,161	204,908	117,019	150,691
Gifts and contributions	284,091	185,711	157,354	83,824	732,555	148,492	313,575	218,930	77,687	42,328
Voluntary concessions	296,817	25,450	1,604,960	2,012,950	-	-	-	-	-	-
Recovered costs	318,002	319,362	376,684	370,918	492,274	477,639	509,488	540,765	461,219	1,869,125
Intergovernmental:										
Commonwealth	5,108,652	6,563,134	5,413,953	5,655,194	4,497,255	5,882,944	5,093,110	3,913,214	3,855,857	4,036,330
Federal	1,682,625	1,837,637	814,822	922,939	677,457	1,140,608	776,311	896,997	798,217	719,247
Payment from schools	-	-	235,100	-	-	-	-	-	-	-
Total revenues	\$ 96,224,505	\$ 91,778,527	\$ 86,752,353	\$ 84,599,862	\$ 78,648,696	\$ 77,495,593	\$ 72,269,586	\$ 67,862,248	\$ 64,881,344	\$ 61,639,426
Expenditures										
General government	\$ 7,167,412	\$ 6,908,253	\$ 6,595,540	\$ 6,858,045	\$ 6,569,485	\$ 5,797,523	\$ 5,240,051	\$ 4,439,532	\$ 4,143,809	\$ 5,866,102
Judicial administration	2,044,550	2,093,560	2,159,891	2,112,412	2,147,174	1,968,347	1,820,027	1,594,048	1,486,558	1,457,627
Public safety	10,876,004	11,409,320	11,308,852	12,071,602	11,187,199	10,775,667	9,731,518	9,389,094	8,787,149	8,896,616
Public works	5,609,696	5,884,953	5,415,516	5,841,732	5,285,860	5,628,283	5,759,636	5,266,144	5,325,810	5,256,273
Health and welfare	2,420,572	2,672,200	2,211,781	2,166,326	2,233,258	2,100,636	2,263,633	1,992,565	2,121,788	2,229,111
Parks, recreation, and cultural	4,879,430	4,991,289	4,883,003	4,794,740	4,831,460	4,573,151	4,323,040	4,100,421	4,190,243	4,133,292
Community development	4,146,368	3,442,634	3,231,194	2,311,668	2,073,612	3,486,346	3,324,309	1,754,043	1,416,195	1,419,982
Education	42,351,898	41,181,003	39,848,512	38,554,169	36,889,734	33,801,767	30,426,504	27,685,031	27,874,069	29,347,120
Economic development	328,600	265,242	437,004	460,337	420,937	351,837	308,788	321,839	316,857	346,937
Capital outlay	29,815,579	25,119,075	4,536,405	7,773,871	7,755,174	7,035,360	7,533,141	1,197,634	931,504	1,021,914
Debt service:										
Principal retirement	6,205,522	4,808,130	4,557,831	4,053,392	3,422,300	3,317,300	3,155,583	2,426,259	3,649,375	3,651,127
Interest and fiscal charges	2,061,436	1,868,052	1,746,848	1,872,349	1,777,290	1,219,100	1,149,770	1,649,369	1,445,377	1,578,008
Total expenditures	\$ 117,907,067	\$ 110,643,711	\$ 86,932,377	\$ 88,870,643	\$ 84,593,483	\$ 80,055,317	\$ 75,036,000	\$ 61,815,979	\$ 61,688,734	\$ 65,204,109
Excess of revenues over (under) expenditures	\$ (21,682,562)	\$ (18,865,184)	\$ (180,024)	\$ (4,270,781)	\$ (5,944,787)	\$ (2,559,724)	\$ (2,766,414)	\$ 6,046,269	\$ 3,192,610	\$ (3,564,683)
Other Financing Sources (Uses)										
Premium on issuance of bonds	\$ -	\$ -	\$ 1,010,000	\$ -	\$ 612,326	\$ 1,562,498	\$ -	\$ 909,336	\$ -	\$ -
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	(17,437,909)	-	-
Proceeds from borrowing	-	-	-	4,667,852	10,400,000	15,890,000	-	-	-	-
Proceeds from capital leases	-	-	-	69,065	-	2,887,859	-	-	-	-
Proceeds from sale of assets	235,000	136,001	605,189	88,715	8,386	-	-	-	784,243	521,995
Issuance of debt	20,000,000	22,818,855	-	-	-	-	-	24,120,000	-	-
Transfers in	3,830,564	3,052,520	4,440,560	2,089,514	2,630,650	23,449,213	2,183,076	150,000	150,000	-
Transfers out	(3,830,564)	(3,052,520)	(4,440,560)	(2,089,514)	(2,630,650)	(3,676,847)	(2,033,076)	-	(60,396)	(2,202,601)
Contribution of water proceeds to pensions	-	-	-	-	(9,200,000)	-	-	-	-	-
Total other financing sources (uses)	\$ 20,235,000	\$ 22,954,856	\$ 1,615,189	\$ 4,825,632	\$ 1,820,712	\$ 40,112,723	\$ 150,000	\$ 7,741,427	\$ 873,847	\$ (1,680,606)
Net change in fund balances	\$ (1,447,562)	\$ 4,089,672	\$ 1,435,165	\$ 554,851	\$ (4,124,075)	\$ 37,552,999	\$ (2,616,414)	\$ 13,787,696	\$ 4,066,457	\$ (5,245,289)
Debt service as a percentage of noncapital expenditures:	9.38%	7.81%	7.65%	7.31%	6.77%	6.21%	6.38%	6.72%	8.39%	8.15%

Notes:

Beginning in 2011, administrative costs charged to the Water Fund and Sewer Fund are classified as reduction in expenditures. In prior years, they were classified as revenues.

TABLE 5

CITY OF FALLS CHURCH, VIRGINIA

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years
(unaudited)

Fiscal Year	Real Property (1)		Personal Property (2)		Total Taxable Assessed Value	Total Direct Tax Rate(3)	Actual Taxable Value(4)	Value as a Percentage of Assessed Value
	Residential Property	Commercial Property*	Motor Vehicles	Other				
2019	\$ 2,937,819,700	\$ 1,233,455,100	\$ 117,479,542	\$ 38,704,249	\$ 4,327,458,591	\$ 1.49	\$ 4,327,458,591	100.00
2018	2,827,359,400	1,206,357,000	115,141,028	39,441,092	4,188,298,520	1.47	4,188,298,520	100.00
2017	2,755,918,500	1,135,720,643	113,256,298	34,077,053	4,038,972,494	1.45	4,038,972,494	100.00
2016	2,717,628,800	1,037,442,703	117,414,292	32,407,907	3,904,893,702	1.45	3,904,893,702	100.00
2015	2,601,492,400	960,458,253	110,351,553	31,546,003	3,703,848,209	1.44	3,703,848,209	100.00
2014	2,518,781,400	941,171,964	108,271,948	34,045,965	3,602,271,277	1.44	3,602,271,277	100.00
2013	2,399,553,800	900,448,054	104,900,347	32,764,812	3,437,667,013	1.43	3,437,667,013	100.00
2012	2,318,995,150	869,503,840	99,424,184	29,155,268	3,317,078,442	1.41	3,317,078,442	100.00
2011	2,242,533,650	851,357,009	95,126,548	28,060,359	3,217,077,566	1.39	3,217,077,566	100.00
2010	2,161,499,050	920,696,585	90,559,076	29,022,854	3,201,777,565	1.29	3,201,777,565	100.00

(1) Source: Falls Church Office of Real Estate Assessment. Amounts are reported net of exempt property.

(2) Source: Falls Church Treasurer's office. Amounts are reported net of exempt property.

(3) Total Direct Tax Rate is calculated using the weighted average method. Rates are per \$100 of valuation.

(4) Virginia code requires assessment at full market value.

*Includes apartment buildings

TABLE 6**CITY OF FALLS CHURCH, VIRGINIA****DIRECT PROPERTY TAX RATES****Last Ten Fiscal Years**

(unaudited)

<u>Year</u>	<u>Real Property (1st half of the Fiscal Year)</u>	<u>Real Property (2nd Half of the Fiscal Year)</u>	<u>Personal Property</u>	<u>Total Direct Rate (1)</u>
2019	\$ 1.355	\$ 1.355	\$ 5.00	\$ 1.49
2018	1.330	1.330	5.00	1.47
2017	1.315	1.315	5.00	1.45
2016	1.315	1.315	4.84	1.45
2015	1.305	1.305	4.84	1.44
2014	1.305	1.305	4.84	1.44
2013	1.270	1.305	4.84	1.43
2012	1.270	1.270	4.84	1.41
2011	1.240	1.270	4.71	1.39
2010	1.070	1.240	4.71	1.29

Note: Total Direct Tax Rate is calculated using the weighted average method. Rates are per \$100 of valuation.

TABLE 7

CITY OF FALLS CHURCH VIRGINIA

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Ten Years Ago

(unaudited)

Taxpayer	2019			2010		
	Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
SHF II Pearson Square, LLC	\$ 91,317,600	1	2.26 %	\$ -	-	- %
TMW Pearson Square, LLC	-	-	-	76,884,200	1	2.53
Falls Church Country Club (Apartments)	80,711,900	2	2.00	66,182,700	2	2.18
Falls Church DVMT Partners LLC	76,685,200	3	1.90	-	-	-
Lincoln FChurch VA LLC	75,014,700	4	1.86	-	-	-
Eden Center, Inc.	55,734,400	5	1.38	48,405,900	4	1.59
Morguard Falls Church LLC	40,951,300	6	1.02	-	-	-
BJ'S GL I, LLC & II, LLC	32,494,300	7	0.81	-	-	-
Washreit Roosevelt Towers LLC	29,941,600	8	0.74	-	-	-
Koons Falls Ch Properties, Inc.	28,838,100	9	0.71	-	-	-
The Kensington of Falls Ch LLC	26,449,800	10	0.66	-	-	-
Spectrum Condominiums	-	-	-	61,042,800	3	2.01
Koons, James	-	-	-	24,724,800	5	0.81
West Falls Parcel, Inc.	-	-	-	19,525,600	6	0.61
Kaiser Foundation Health Plan, Inc.	-	-	-	18,773,800	7	0.62
Federal Realty Investment Trust	-	-	-	18,595,100	8	0.61
HPTMI III Properties Trust	-	-	-	18,471,700	9	0.61
Aimco Merrill House, LLC	-	-	-	18,467,600	10	0.61
Totals	\$ 538,138,900		13.34 %	\$ 371,074,200		12.18 %

Source: Fall Church Office of Real Estate Assessment. Values as of January 1. Beginning in FY2015, the City changed its tax year to coincide with the fiscal year, using the assessment as of the previous January 1. FY2019 revenues are based on the assessments as of January 1, 2018.

TABLE 8

CITY OF FALLS CHURCH, VIRGINIA
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Calendar Years
(unaudited)

Year Ended June 30	Taxes Levied for the Year	Collected within the Year of the Levy		Collections in Subsequent Years*	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2019	\$ 61,929,574	\$ 61,452,683	99.23 %	\$ -	\$ 61,452,683	99.23 %
2018	58,922,168	58,364,540	99.05	-	58,751,473	99.71
2017	56,038,932	55,298,718	98.68	662,988	55,961,706	99.86
2016	53,442,741	52,681,973	98.58	687,239	53,369,212	99.86
2015	50,737,788	49,637,858	97.83	1,017,292	50,655,150	99.84
2014	49,400,707	48,431,361	98.04	902,287	49,333,648	99.86
2013	46,554,891	45,686,242	98.13	796,685	46,482,927	99.85
2012	44,293,509	43,620,632	98.48	608,141	44,228,773	99.85
2011	42,206,497	41,495,508	98.32	653,214	42,148,722	99.86
2010	39,478,140	38,778,261	98.23	655,339	39,433,600	99.89

Notes: Property tax levies and collections include real estate taxes and personal property taxes, and excludes Commonwealth of Virginia Personal Property Tax Relief Act (PPTRA) reimbursement.

TABLE 9

CITY OF FALLS CHURCH, VIRGINIA
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(unaudited)

Fiscal Year	Governmental Activities			Business-type Activities			Total Primary Government	Percentage of Personal Income (1)	Debt Per Capita
	General Obligation Bonds	Notes Payable	Capital Leases	General Obligation Bonds	Note Payable*	Revenue Bonds			
2019	\$ 61,859,233	\$23,688,379	\$ 738,020	\$ 12,616,245	\$ -	\$ -	\$98,901,877	N/A %	#DIV/0!
2018	68,043,928	985,119	262,087	13,724,001	-	-	83,015,135	N/A	5,741
2017	51,124,621	-	342,592	14,173,447	-	-	65,640,660	0.07	4,600
2016	54,657,852	368,587	269,952	10,515,183	2,441,103	1,905,979	70,158,656	0.08	4,968
2015	54,035,000	735,378	277,354	9,097,085	2,662,896	2,077,008	68,884,721	0.08	4,857
2014	47,057,300	1,105,320	-	8,120,647	2,876,161	2,243,020	61,402,448	0.07	4,541
2013	34,484,600	-	-	23,043,537	6,435,016	2,404,160	66,367,313	0.08	4,984
2012	37,640,183	-	-	23,902,864	6,979,830	2,482,949	71,005,826	0.08	5,479
2011	32,039,513	-	-	25,298,037	7,842,215	2,712,398	67,892,163	0.09	5,402
2010	35,681,948	-	9,338	19,819,925	8,892,713	2,859,769	67,263,693	0.09	5,454

(1) Based on personal income for Fairfax, Fairfax City and Falls Church shown on Table 12

N/A There is no census data available for personal income.

* The City restated net position as of June 30, 2010, 2013, 2014, 2015, 2017, and 2018. The restatements are not included in the prior data.

TABLE 10

CITY OF FALLS CHURCH, VIRGINIA

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

(unaudited)

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Funds	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2019	\$ 74,475,478	\$ -	\$ 74,475,478	1.72 %	#DIV/0!
2018	81,767,929	-	81,767,929	1.95 %	5,655
2017	65,298,068	-	65,298,068	1.62	4,576
2016	65,173,035	-	65,173,035	1.67	4,615
2015	63,132,085	-	63,132,085	1.70	4,451
2014	55,177,947	-	55,177,947	1.53	4,081
2013	57,528,137	-	57,528,137	1.67	4,321
2012	61,543,047	-	61,543,047	1.86	4,749
2011	57,337,550	-	57,337,550	1.78	4,563
2010	55,501,873	-	55,501,873	1.73	4,501

CITY OF FALLS CHURCH VIRGINIA

TABLE 11

LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(unaudited)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Debt limit	\$ 417,127,480	\$ 403,371,640	\$ 389,163,914	\$ 375,507,150	\$ 351,883,470	\$ 357,216,255	\$ 334,774,418	\$ 325,124,867	\$ 312,665,676	\$ 328,521,957
Total net debt applicable to limit	<u>98,901,877</u>	<u>83,015,135</u>	<u>65,640,660</u>	<u>68,428,875</u>	<u>66,807,713</u>	<u>58,054,108</u>	<u>63,963,154</u>	<u>68,522,877</u>	<u>65,179,765</u>	<u>64,403,924</u>
Legal debt margin	<u>\$ 318,225,603</u>	<u>\$ 320,356,505</u>	<u>\$ 323,523,254</u>	<u>\$ 307,078,275</u>	<u>\$ 285,075,757</u>	<u>\$ 299,162,147</u>	<u>\$ 270,811,264</u>	<u>\$ 256,601,990</u>	<u>\$ 247,485,911</u>	<u>\$ 264,118,033</u>
Total net debt applicable to the limit as a percentage of debt limit	23.71%	20.58%	16.87%	18.22%	18.99%	16.25%	19.11%	21.08%	20.85%	19.60%

Legal Debt Margin Calculation for Fiscal Year 2019

Assessed value	\$ 4,171,274,800
Debt limit (10% of assessed value)	417,127,480
Less debt applicable to limit:	
General obligation bonds	74,475,478
Capital leases	738,020
Notes payable	<u>23,688,379</u>
Total net debt applicable to limit	<u>98,901,877</u>
Legal debt margin	<u>\$ 318,225,603</u>

CITY OF FALLS CHURCH, VIRGINIA

DEMOGRAPHIC STATISTICS

Last Ten Calendar Years

(unaudited)

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Personal Income (3)	Median Age (4)	School Enrollment(5)	Unemployment Rate (6)
2019	14,460	\$ N/A	\$ N/A	N/A	2,645	2.20 %
2018	14,460	N/A	N/A	N/A	2,698	2.40
2017	14,269	93,041,631	78,376	N/A	2,670	2.90
2016	14,123	90,108,788	76,213	38.9	2,509	3.00
2015	14,183	89,352,902	75,756	37.7	2,456	3.30
2014	13,522	85,852,636	73,000	36.7	2,421	4.00
2013	13,315	81,624,743	69,637	37	2,272	4.40
2012	12,960	83,596,714	72,200	36.9	2,178	4.40
2011	12,567	79,761,191	69,910	38.8	2,079	4.60
2010	12,332	73,895,674	65,873	40.4	2,017	5.00

Sources:

(1) Source: Year 2010 is based on U.S. Census estimate. Years 2011-2018 are based on Weldon Cooper Center for Public Service estimate; numbers are estimates as of July 1. 2019 numbers are shown at 2018 levels.

(2)Source: US Department of Commerce, Bureau of Economic Analysis for Fairfax, Fairfax City & Falls Church. 2018 and 2019 data not yet available.

(3) Source: U.S. Census Bureau American Community Survey 5-Year Estimates

(4) Source: City of Falls Church Public School Board, Seat Enrollment.

(5) Source: Virginia Employment Commission Local Area Unemployment Statistics as of June of each year.

NA - Not available.

TABLE 13

CITY OF FALLS CHURCH, VIRGINIA

PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago
(unaudited)

Employer	2019			2010		
	Employees	Rank	Percentage of Total City Employment (2)	Employees	Rank	Percentage of Total City Employment
Falls Church City Schools	624	1	7.19 %	386	1	5.47 %
Kaiser Permanente	395	2	4.55	260	3	3.69
Falls Church City Government	351	3	4.04	284	2	4.03
Koon's Ford	193	4	2.22	175	5	2.48
Tax Analysts	171	5	1.97	184	4	2.61
VL Home Health Care, Inc	160	6	1.84			
Giant Food Store	135	7	1.55	145	7	2.06
Harris Teeter	125	8	1.44			
BJ's Wholesale Club	125	9	1.44			
Don Beyer Volvo	119	10	1.37	92	9	1.30
BG Healthcare Services				150	6	2.13
Care Options				100	8	1.42
Home Instead Senior Care				82	10	1.16
Total	<u>2,398</u>		<u>27.61 %</u>	<u>1,858</u>		<u>26.35 %</u>

Source: Finance and Economic Development Office

Total employment estimate of 8,683 for June 2019 and 7,052 for June 2010 from Virginia Employment Commission.

TABLE 14

CITY OF FALLS CHURCH, VIRGINIA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Fiscal Years

(unaudited)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Function/Program										
General government	48.20	48.65	48.65	46.90	45.74	39.74	37.90	35.55	35.92	37.88
Judicial administration	15.23	15.23	14.23	13.73	13.61	13.61	13.76	12.76	13.26	13.26
Public safety	50.50	51.50	54.50	54.60	51.60	51.10	51.20	51.20	52.20	55.20
Public works	30.40	32.15	29.60	30.10	29.95	27.65	28.94	28.60	28.00	35.75
Health and Welfare	4.90	4.90	4.80	4.80	4.80	4.80	5.00	5.00	5.90	7.85
Parks, recreation, and cultural	32.25	31.25	31.45	31.25	30.05	29.95	29.95	30.05	31.55	33.35
Community development	20.00	18.00	18.00	16.00	15.90	15.81	15.81	13.81	13.81	13.81
Economic development	2.00	3.00	3.00	3.00	3.00	2.00	2.00	2.00	2.00	3.00
Water	-	-	-	-	-	-	57.60	57.85	56.98	53.65
Sewer	4.40	4.40	4.58	4.92	4.50	4.25	4.30	4.30	4.10	4.10
Storm water	6.00	6.30	7.82	7.98	8.65	9.20	-	-	-	-
Total	213.88	215.38	216.63	213.28	207.80	198.11	246.46	241.12	243.72	257.85

Source: Adopted Budget for City of Falls Church. Only permanent employees are included. The City also employs temporary, on-call, and seasonal employees.

TABLE 15

CITY OF FALLS CHURCH, VIRGINIA										
OPERATING INDICATORS BY FUNCTION/PROGRAM										
Last Ten Fiscal Years (unaudited)										
Function/Program	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Government										
Communications										
Number of Media Releases	121	117	189	236	207	N/A	N/A	167	118	95
eFOCUS Newsletter Subscribers	1,634	1,263	1,151	1,142	940	N/A	N/A	1,388	N/A	N/A
Number of Social Media Followers	10,921	13,776	12,842	5,347	3,716	N/A	N/A	N/A	N/A	N/A
Judicial Administration										
Court Services										
Aurora House Recidivism	0%	7%	8%	10%	10%	0%	0%	0%	8%	0%
Aura House Program Completion	96%	N/A	100%	93%	100%	90%	98%	83%	92%	73%
Court Services Juvenile Recidivism	N/A	N/A	N/A	N/A	6%	5%	9%	10%	16%	16%
Court Services Adult Recidivism	N/A	N/A	N/A	N/A	0%	4%	6%	6%	23%	23%
Public safety										
Police										
Part I Crimes (1)	269	293	286	353	310	303	309	270	268	329
Calls for Service	43,578	42,921	34,371	31,387	23,574	26,210	27,411	26,189	26,485	25,862
Accidents	151	157	169	197	204	182	180	188	224	235
Traffic Enforcement	2177	2,007	2,346	3,311	3,313	4,749	5,314	5,704	8,614	8,113
DWI Arrests	46	34	54	56	97	108	106	127	95	91
Inspections										
Plan Review	N/A	1,147	1,028	990	923	821	N/A	666	N/A	671
Stop Work Orders	N/A	22	23	24	11	10	N/A	10	N/A	8
Fire Marshal										
Fire Inspections Performed	N/A	294	287	289	281	186	198	182	152	N/A
Fire Code Violations Cited	N/A	777	812	997	1,009	359	514	646	308	N/A
Fire Code Permits Issued	N/A	283	281	267	282	147	123	119	101	N/A
Fires Reported and Investigated	NA	5	3	9	8	5	7	2	3	N/A
Estimated Fire/Explosion Loss	NA	\$865,000	\$325,000	\$ 120,000	\$ 1,538,000	\$ 1,763,500	\$ 259,500	\$ 13,000	\$ 2,200	N/A
Public works										
Refuse collected (tons)	N/A	3,049	2,020	2,073	1,977	2,149	2,073	2,015	2,150	2,178
Recycling collected (tons)	N/A	3,620	3,018	3,091	2,926	2,806	3,364	3,241	3,315	3,077
Street Resurfacing (miles)	N/A	N/A	4.84	5.31	3.50	2.75	2	-	1	2
Health and Welfare										
Housing and Human Services										
Information/Referral Contacts	2,587	2,709	2,901	3,009	2,396	2,399	2,136	2,459	3,149	2,971
Education										
Student Membership	2,645	2,698	2,670	2,509	2,456	2,421	2,272	2,178	2,079	2,017

TABLE 15
(Continued)

CITY OF FALLS CHURCH, VIRGINIA

OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years
(unaudited)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Parks, Recreational and Cultural										
Parks & Recreation										
Special Events	115	130	124	195	174	172	174	171	181	160
Class participants	3,284	3,079	3,118	3,146	3,134	3,981	4,065	3,072	2,663	2,654
Room Reservations (4)	6,361	6,351	4,854	6,028	7,035	6,376	6,237	6,455	6,569	5,982
Tennis Reservations (2)	1,260	1,970	831	854	440	1,021	642	922	1,422	1,760
Youth Sports Participants	3,234	3,044	3,104	3,036	3,226	2,677	2,509	2,423	1,987	2,542
Adult Sports Teams	73	98	97	96	120	118	114	111	114	99
Teen Dance Participants	455	650	800	400	500	625	750	827	777	979
Teen Center Attendance	500	500	700	700	900	1,300	1,500	1,722	3,500	3,675
Summer Camps Offered	287	264	237	263	192	220	274	224	244	223
Summer Camp Participants	5,349	5,523	5,482	5,689	5,810	5,103	5,432	5,000	5,002	4,163
Senior Center lunch meals served (3)	-	-	-	198	792	660	521	519	928	1,255
Library:										
Size of collection (all formats)	121,402	153,181	148,955	148,636	144,100	132,031	147,659	146,422	142,728	143,365
Total circulation of all materials	502,695	476,669	501,827	465,687	469,102	461,394	446,563	442,480	426,272	452,498
Total visits to library (door count)	320,000	313,429	308,393	310,251	325,512	316,430	297,468	307,466	283,773	232,379
Number of registered borrowers	32,314	30,152	27,540	27,413	29,025	28,362	25,914	24,056	28,395	25,263
Number of website visits/yr	356,379	433,909	380,319	566,877	187,993	N/A	226,961	137,342	154,284	182,373
Number of programs/yr	713	802	970	738	785	654	554	518	603	298
Attendance at programs	30,055	36,267	36,598	27,087	28,119	18,924	17,370	15,761	20,345	11,710
Community development:										
Planning										
Development Inquiries	N/A	N/A	N/A	29,802	23,732	N/A	N/A	20,353	8,927	8,927
Plans Reviewed	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2	26	26
Code/Policy Review	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Zoning										
Development Inquiries	N/A	508	490	492	366	N/A	N/A	N/A	2,100	2,100
Permits/Plans Reviewed	N/A	582	593	N/A	N/A	N/A	N/A	708	600	600
Urban Forestry										
Development Inquiries	N/A	153	43	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Permits/Plans Reviewed	N/A	49	75	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Trees Planted/removed/pruned	N/A	1,079	1,217	1,372	1,372	1,067	708	N/A	N/A	N/A
Water										
New connection applications	N/A	N/A	N/A	N/A	N/A	N/A	74	218	265	23
Water main breaks	N/A	N/A	N/A	N/A	N/A	N/A	165	93	148	118

Sources:

Reported by individual departments

Notes:

N/A- Not available

(1) Part I crimes are defined as murder, rape, robbery, aggravated assault, burglary, grand larceny, auto theft, arson.

(2) Four courts were under renovation and out of service during the year.

(3) The Senior Center Meals program was canceled as of August 31, 2015.

(4) Room Reservations are calculated as a Maintenance Facility Schedule Total Records in Range Minus Tennis Reservations total

Library - Librarian

Building permits - City Planner

TABLE 16

CITY OF FALLS CHURCH, VIRGINIA

CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years
(unaudited)

Function/Program	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Government										
City Hall	1	1	1	1	1	1	1	1	1	1
Gage House	1	1	1	1	1	1	1	1	1	1
Judicial Administration (1)										
Court Services										
Aurora House (Facility)	1	1	1	1	1	1	1	1	1	1
Aurora House Passenger Van	2	2	2	2	2	2	2	1	1	1
Court Services Passenger Van	-	-	-	1	1	1	1	1	1	1
Public safety (2)										
Fire Stations (3)	1	1	1	1	1	1	1	1	1	1
Public works										
Streets-Miles/Lane Miles	84	84	84	73	73	72	32	32	32	32
Traffic signals	28	28	28	28	28	28	29	29	29	29
Streetlights	226	226	226	191	191	198	142	142	142	142
Refuse Trucks	-	-	-	-	-	-	-	-	5	5
Education										
School Buildings	5	5	5	5	5	4	4	4	4	4
Parks, Recreational and Cultural										
Recreation & Parks:										
Community Center	1	1	1	1	1	1	1	1	1	1
Cherry Hill Farmhouse & Barn	1	1	1	1	1	1	1	1	1	1
Neighborhood Parks	14	14	14	13	13	13	13	13	13	13
Tennis courts	10	10	10	10	10	10	10	10	10	10
Basketball courts	4	4	4	5	5	5	5	5	5	5
Vehicles	5	5	5	7	7	7	7	7	6	6
Library:										
Library (Facility)	1	1	1	1	1	1	1	1	1	1
Community development:										
Urban Forestry										
Vehicles	4	4	4	4	4	3	3	3	3	3
Water										
Water Mains (Miles)	-	-	-	-	-	-	502	500	497	497
Tanks	-	-	-	-	-	-	10	10	10	10
Pumps	-	-	-	-	-	-	29	29	29	29
Fire Hydrants	-	-	-	-	-	-	3,286	3,253	3,220	3,201
Sewer										
Sanitary Sewer Mains (Miles)	47	47	47	43	43	47	44	44	44	44
Sanitary Sewer Manholes	1,280	1,280	1,280	1,013	1,012	1,155	1,190	1,186	1,186	1,175
Stormwater										
Storm Sewer Mains (Miles)	31	31	31	27	27	31	N/A	N/A	N/A	N/A
Storm Sewer Structures	1,864	1,864	1,860	1,400	1,400	1,754	N/A	N/A	N/A	N/A

Notes

NA-Not Available

(1) The City Hall Serves as the City Court House

(2) The police station is located in City Hall

(3) Fire Services are provided by Arlington County under contract

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COMPLIANCE SECTION

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Members of City Council
City of Falls Church, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the *Specifications for Audits of Counties, Cities, and Towns* and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Falls Church, Virginia (the "City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 27, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. **Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as Item 2019-001.**

City of Falls Church's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 27, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

To the Honorable Members of City Council
City of Falls Church, Virginia

Report on Compliance for Each Major Federal Program

We have audited the City of Falls Church, Virginia's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2019. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, the terms, and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 27, 2019

CITY OF FALLS CHURCH, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2019

As more fully described in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the City's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

Sheriff Internal Controls

State Agency Requirements

Education

Urban Highway Maintenance

Stormwater Management Program

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal programs selected for testing.

LOCAL COMPLIANCE MATTERS

City Charter

City Code

Other City Regulations

CITY OF FALLS CHURCH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **No significant deficiencies** relating to the audit of the financial statements were reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies** relating to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **no audit findings related to the major program**.
7. The major program of the City is:

<u>Name of Program</u>	<u>CFDA #</u>
Highway Planning and Construction	20.205

8. The **threshold for** distinguishing Type A and B programs was **\$750,000**.
9. The City was determined to be a **low-risk auditee**.

CITY OF FALLS CHURCH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

D. FINDINGS – COMMONWEALTH OF VIRGINIA

2019-001: Highway Maintenance Testing

Condition:

In one out of twenty work orders tested, we noted labor expenses that were not eligible per the Urban Highway Manual.

Recommendation:

We recommended verifying eligibility of work performed by reviewing Daily Field Reports.

Management's Response:

Management is in agreement and will ensure there are no more ineligible expenses recorded through review of the report and discussion with staff.

CITY OF FALLS CHURCH, VIRGINIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal CFDA Number	Pass-through ID Number	Federal Expenditures	Total Expenditures by Cluster
U.S. Department of Agriculture				
Pass-through payments:				
Commonwealth of Virginia Department of Agriculture and Consumer Services				
National School Lunch Program	10.555	2017IN109941/ 2018IN109941	\$ 61,300	
School Breakfast Program	10.553	2017IN109941/ 2018IN109941	10,217	
Subtotal for Cluster				\$ 71,518
Total U.S. Department of Agriculture			71,518	71,518
U.S. Department of Treasury				
Direct payments:				
Treasury Executive Office for Asset Forfeiture	21.016	N/A	21,576	21,576
Total U.S. Department of Treasury			21,576	21,576
U.S. Department of Homeland Security				
Pass-through payments:				
Virginia Department of Emergency Management Disaster Recovery	97.042	N/A	7,500	7,500
Total U.S. Department of Homeland Security			7,500	7,500
U.S. Department of Housing and Urban Development				
Pass-through payments:				
County of Arlington, Virginia:				
Community Development Block Grants/Entitlement	14.218	N/A	54,687	54,687
Home Investments Partnership Program	14.239	N/A	24,635	24,635
Total U.S. Department of Housing and Urban Development			79,322	79,322
U.S. Department of Justice				
Direct payments:				
Seized assets	16.922	N/A	106,264	106,264
Total U.S. Department of Justice			106,264	106,264

CITY OF FALLS CHURCH, VIRGINIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal CFDA Number	Pass-through ID Number	Federal Expenditures	Total Expenditures by Cluster
U.S. Department of Transportation				
Pass-through payments:				
Commonwealth Virginia Department of Transportation		110332/109954/11140 2/108295/109953/1095 71/110335/110038/102		
Highway Planning and Construction	20.205	555/100689/103632	<u>1,280,347</u>	<u>1,280,347</u>
Subtotal for Cluster			<u>1,280,347</u>	<u>1,280,347</u>
Northern Virginia Transportation Commission		72510-18/72507-08/ 72508-19/72510-57		
Federal Transit Capital Investment Grants	20.500		37,580	37,580
Washington Metropolitan Area Transit Authority				
National Infrastructure Investments (TIGER Discret	20.600	N/A	6,541	6,541
EPA School Bus Rebate	EPA	N/A	<u>40,000</u>	<u>40,000</u>
Total U.S. Department of Transportation			<u>1,364,468</u>	<u>1,364,468</u>
U.S. Department of Education				
Pass-through payments:				
Commonwealth of Virginia Department of Education:				
Special Education - Grants to States	84.027	H027A140107	449,063	
Special Education - Preschool Grants	84.173	H173A140112	<u>10,185</u>	
Subtotal for Cluster				459,248
Title I - Grants to Local Educational Agencies	84.010	S010A140046/ S010A150046	85,725	85,725
Hurricane Education Recovery	84.424	N/A	7,076	7,076
English Language Acquisition Grants	84.365	S365A130046/ S365A140046 S367A130044/ S367A140044/ S367A150044	26,018	26,018
Improving Teacher Quality State Grants	84.367	V048A140046/ V048A150046	35,357	35,357
Vocational Education - Basic Grants to States	84.048		<u>17,924</u>	<u>17,924</u>
Total U.S. Department of Education			<u>631,348</u>	<u>631,348</u>
National Endowment for Humanities				
Direct payments:				
Promotion of the Humanities Public Programs	45.149	N/A	<u>1,354</u>	<u>1,354</u>
Total Expenditures of Federal Awards			<u>\$ 2,283,349</u>	<u>\$ 2,283,349</u>

CITY OF FALLS CHURCH, VIRGINIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

I. Basis of Presentation

The Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting as contemplated by generally accepted accounting principles.

II. Non-Cash Assistance

The City of Falls Church participated in the National School Lunch Program, CFDA Number 10.555, which provides non-cash benefits. The accompanying Schedule of Expenditure of Federal Awards includes commodity distributions of \$61,300 from the National School Lunch Program.

III. De Minimus Indirect Cost Rate

The City did not elect to use the 10% de minimus indirect cost rate.

IV. Outstanding Loan Balances

At June 30, 2019, the City had no outstanding loan balances requiring continuing disclosure.